OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR - GENERAL

FOR

THE COUNTY GOVERNMENTS

FOR

THE FINANCIAL YEAR

2020/2021

VOLUME I - COUNTY EXECUTIVES

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VOLUME I – COUNTY EXECUTIVES

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1.0 Introduction

1.1 Legal Mandate of the Office of the Auditor-General

The Auditor-General is mandated by the Constitution of Kenya, under Article 229, to audit and report on the use of public resources by all entities funded from public funds. These entities include; the National Government, County Governments, the Judiciary, Parliament, Statutory bodies/state corporations, Commissions, Political Parties funded from public funds, other Government agencies and any other entity funded from public funds. The mandate of the Auditor-General is further expounded by the Public Audit Act, 2015.

The Constitution requires the Auditor-General to submit the audit reports of the public entities to Parliament and the relevant County Assemblies by 31 December, every year. In carrying out the mandate, the Auditor-General, is also required, under Article 229 (6) to assess and confirm whether the public entities have used the public resources entrusted to them lawfully and effectively.

Further, the objects and authority of the Auditor-General, as outlined in Article 249 of the Constitution, are: to protect the sovereignty of the people; to secure the observance by all State Organs of democratic values and principles; and to promote constitutionalism. The Auditor-General has also been given powers by the Constitution, under Article 252, to conduct investigations, conciliations, mediations and negotiations and to issue summons to witnesses for the purpose of investigations.

1.2 Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS)-Cash Basis, as prescribed by the Public Sector Accounting Standards Board (PSASB), and 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.

Management is also responsible for maintaining effective internal control environment necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for the assessment of the effectiveness of internal control, risk management and governance.

Further, Management is required to ensure that the activities, financial transactions and information reflected in the financial statements are in compliance with the law and other

relevant or applicable authorities, 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 Management 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.

1.3 Auditor-General's Responsibility

My responsibility is to conduct an audit of the financial statements in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and to issue an auditor's report. The audit report includes my opinion as provided by Section 48 of the Public Audit Act, 2015, and the report is submitted to Parliament in compliance with Article 229(7) of the Constitution.

In addition, Article 229(6) of the Constitution requires me to express a conclusion on whether or not, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the law and other authorities that govern them, and that public resources are applied in an effective way. I also consider the entities' control environment 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.

I am independent in accordance with Article 249(2) of the Constitution of Kenya, 2010 and ISSAI 130 on the 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 public entities in the Republic of Kenya.

1.4 New Reporting Structure

I have amended the structure of my report to address the reporting requirements of Article 229(6) of the Constitution of Kenya, 2010, which requires that an audit report shall confirm whether or not public money has been applied lawfully and in an effective way. Section 7(1)(a) of the Public Audit Act, 2015 also requires that I provide assurance on the effectiveness of internal controls, risk management system and governance in national and county governments entities.

In addition, the International Standards of Supreme Audit Institutions (ISSAIs) now require the incorporation of Key Audit Matters in the report on the financial statements, which are those matters that I determine in my professional judgment, are of most significance in the audit of the financial statements as a whole, for the year under review. In order to address these requirements, my audit reports contain the following:

i. Report on Financial Statements, in which I give an audit opinion on whether the financial statements present a true and fair view of the financial position and performance of the entity.

ii. Report on Lawfulness and Effectiveness in Use of Public Resources, in which I give a conclusion on whether or not Public Resources have been applied lawfully and in effective way.

iii. Report on Effectiveness of Internal Controls, Risk Management and Governance, in which I give a conclusion on whether internal controls, risk management and overall governance were effective.

iv. Report on Other Legal and Regulatory Requirements is included where applicable, especially for the entities that registered under the Companies Act, 2015 and any other enabling legislation and authorities that require such disclosure.

1.5 Audit Opinions

I have expressed the different types of audit opinions based on the following criteria:-

a) Unmodified/ Unqualified Opinion

The books of accounts and underlying records agree with the financial statements and no material misstatements were found. The financial statements give a true and fair view of the operations of the entity.

b) Qualified Opinion

Financial transactions were recorded and are to a large extent in agreement with the underlying records, except for cases where I noted material misstatements or omissions in the financial statements. The issues though material, are not widespread or persistent.

c) Adverse Opinion

The financial statements exhibit significant misstatement with the underlying accounting records. There is significant disagreement between the financial statements and the underlying books of accounts and/or standards. Problems are widespread, persistent and require considerable interventions by the management to rectify.

d) Disclaimer of Opinion

The financial statements exhibit serious and significant misstatements that may arise from inadequate information, limitation of scope, inadequacy or lack of proper records such that I was not able to form an opinion on the financial operations.

1.6 Audit Findings

A list of the County Executive and the type of opinion given on their financial statements are contained in the ***Appendix***.

The key audit findings noted during the audit of the County Executives' financial statements for the year ended 30 June, 2020 are presented in the following section.

COUNTY EXECUTIVE OF MOMBASA - NO.1

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

1. Understatement of Expenditure on Compensation of Employees

The statement of receipts and payments reflects an expenditure of Kshs.4,465,432,406 on compensation of employees. However, payroll records reflected an amount of Kshs.5,000,638,480, resulting in an understatement of the expenditure by Kshs.535,206,074. Although the Management has explained that these are deductions not paid during the year, no reconciliation was provided to support the variance.

Consequently, the accuracy and completeness of the compensation of employees expenditure of Kshs.4,465,432,406 could not be confirmed.

2. Unexplained Differences between the Cash Books and the Statement of Assets and Liabities Balances

As disclosed in Note 21A to the financial statements, the statement of assets and liabities reflects bank balances of Kshs.1,202,150,135. However, the cash books reflected balances, which differ with the financial statements balances, resulting in an unexplained variances as shown below:

Bank's Name	Bank Account Number	Cash Book Balance (Kshs.)	Financial Statements Balance (Kshs.)	Variance (Kshs.)
Central Bank of Kenya	1000170662	(1,321,982,323)	22,902	(1,322,005,225)
Central Bank of Kenya	1000262745	(58,009,447)	91,408	(58,100,855)
Central Bank of Kenya	1000331135	(215,259,393)	20,339	(215,279,733)
Central Bank of Kenya	1000170689	(3,424,575,607)	103	(3,424,575,711)
Central Bank of Kenya	1000375377	19,651,990	14,114,134	5,537,855
Central Bank of Kenya	1000448188	(47,287,081)	0	(47,287,081)
Central Bank of Kenya	1000471077	(889,018)	7,726,742	(8,615,761)
National Bank	1052110306900	(58,054,861)	43,100,539	(101,155,400)
National Bank	1001089054900	141,883,970	222,743,085	80,859,115

In addition, bank reconciliation statements were not provided for two accounts maintained at a commercial bank.

In the circumstances, the accuracy and completeness of the bank balances of Kshs.1,202,150,135 could not be confirmed.

3. Unreconciled Variance in Other Grants and Transfers

The statement of receipts and payments and as disclosed in Note 15 to the financial statements reflects an expenditure of Kshs.535,462,265 in respect of other grants and

transfers. Included in the expenditure is an amount of Kshs.152,935,100 in respect of scholarships and other educational benefits. This amount relates to transfer to Elimu Fund to cater for bursaries. However, records maintained by the Management of Elimu Fund indicated that an amounting to Kshs.154,035,100 was received, resulting in an unreconciled variance of Kshs.1,100,000.

In the circumstances, the accuracy and completeness of the grants for scholarships and other educational benefits of Kshs.152,935,100 could be confirmed.

4. Unexplained Variances in Retention Monies and Deposits Account

The statement of assets and liabilities reflects a balance of Kshs.50,649,409 in respect of accounts payable and which, as disclosed in Note 23 to the financial statements relates to deposits held as at 30 June, 2021. However, the cash book and bank statement for the account held at Central Bank of Kenya reflected deposits and retention balances of Kshs.91,408 and Kshs.58,009,447 respectively. The resulting variances of Kshs.50,558,001 and Kshs.58,009,447 respectively between these records and the financial statements were not explained or reconciled.

Further, Note 27 to the financial statements indicates an amount of Kshs.13,630,821 in respect of retention monies paid during the year under review whereas IFMIS payment details report reflected an amount of Kshs.61,619,288. The resultant variance of Kshs.47,988,467 between the two records was not reconciled or explained.

In the circumstances, the accuracy and completeness of the accounts payable balance of Kshs.50,649,409 could not be confirmed.

5. Unexplained Variances in Transfers to Other Government Units

As disclosed in Note 14 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.660,326,431 in respect of transfers to other Government units. However, the County Revenue Fund bank account statement indicates that an amount of Kshs.747,077,042 was transferred to the County Assembly. Review of the County Assembly's financial statements revealed that an amount of Kshs.729,489,818 was actually received from the County Treasury. The differences between three sets of records were not reconciled or explained.

In the circumstances, the accuracy and completeness of transfers to other Government units amounting to Kshs.660,326,431 could not be confirmed.

6. Unconfirmed Disbursements to Hospitals

The statement of receipts and payments and as disclosed in Note 15 to the financial statements reflects an expenditure of Kshs.535,462,265 for other grants and transfers. Included in the expenditure is an amount of Kshs.238,705,412 relating to other current transfers and grants (Level 5 Hospitals Grant). However, analysis of the exchequer releases for Level 5 Hospitals allocation revealed that an amount of Kshs.388,439,309 was received by the County Executive on behalf of these hospitals leaving a balance of

Kshs.149,733,897 undisbursed. There was no evidence provided to confirm how this balance was used.

In the circumstances, the accuracy and completeness of other current transfers and grants amounting to Kshs.238,705,412 could not be confirmed.

7. Unconfirmed County Own Generated Revenue

The statement of receipts and payments reflects an amount of Kshs.3,314,532,178 as County own generated revenue. Included in the revenue is an amount of Kshs.436,072,057 in respect of motor vehicle parking fees, out of which an amount of Kshs.205,989,543 was collected through a mobile payment platform managed by a local bank. However, related bank statement and cash book were not provided to confirm actual receipts and subsequent transfers to the County Revenue Fund held at Central Bank of Kenya.

In the circumstances, the accuracy and completeness of the vehicle parking fees amounting to Kshs.205,989,543 could not be confirmed.

8. Inaccuracies in Pending Bills

As disclosed in Note 7.10(1), (2) and (3) under other important disclosures to the financial statements, the County Executive had pending bills totalling Kshs.5,260,962,297, comprising of pending accounts payable balance of Kshs.3,257,195,222, pending staff payables balalnce of Kshs.1,507,435,778 and other pending payables of balalnce of Kshs.496,331,297. However, review of the supporting documents revealed the following anomalies:

i. The other pending payables opening balance reflects an amount of Kshs.188,313,398, while the certified financial statements for 2019-2020 reflected a balance of Kshs.363,756,891, resulting to an unexplained variance of Kshs.175,443,493.

ii. Annex 2, analysis of pending accounts payable indicates that the County Executive had pending bills totalling Kshs.4,466,272,427, comprised of pending accounts payable balance of Kshs.3,004,619,355, pending staff payables balance of Kshs.1,170,943,137 and other pending payables balance of Kshs. 290,709,935. This amount differs with the amount of Kshs.5,260,962,297 disclosed under Note 7.10(1), (2) and (3).

iii. The pending staff payable relates mainly to unremitted payroll deductions and dues to various statutory authorities, which may attract interest and penalties for late payments.

iv. Records maintained by the Ministry of Health under the National Government indicates that the County Executive owes the Ministry a sum of Kshs.682,711,688 which has been outstanding since year 2014. However, the bill was omitted from other pending accounts payable as at 30 June, 2021.

v. Records maintained by The National Treasury indicated that County Executive owed Kenya Power Company Ltd a sum of Kshs.64,083,181 as at 30 June, 2021 while records maintained by the County Executive indicated an amount of Kshs.16,814,963. The resulting variance of Kshs.47,268,218 was not reconciled or explained.

Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

In the circumstances, the regularity, accuracy and completeness of the pending bills totalling Kshs.5,260,962,297 could not be confirmed.

Other Matter

9. Budgetary Control and Performance

The statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.13,750,000,000 and Kshs.12,022,697,904 respectively, resulting in an under-funding of Kshs.1,727,302,096 or 13% of the budget. Similarly, the County Executive spent an amount of Kshs.11,237,155,214 against an approved budget of Kshs.13,750,000,000, resulting in an under-expenditure of Kshs.2,578,303,004 or 19% of the budget. Management has attributed the low absorption to late disbursement of the exchequer by The National Treasury.

The under-funding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public**.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

10. Unbanked Revenue

The statement of receipts and payments reflects County own generated receipts of Kshs.3,314,532,178. However, verification of the County Revenue Fund revealed that an amount of Kshs.2,974,882,472 was collected and banked, resulting in a difference of Kshs.339,649,706 which appear to have been used at source. This is contrary to Section 109(2) of the Public Finance Management Act, 2012 which requires each County Treasury, “to ensure all money raised or received by or on behalf of the County Government is paid into the County Revenue Fund account except money that is excluded from payment into that Fund because of *a* provision of this Act or another Act of Parliament, and is payable into another county public fund established for a specific purpose.”

In the circumstances, Management was in breach of the law.

11. Non-Compliance with Law on Fiscal Responsibility - Wage Bill

The statement of receipts and payments reflects an expenditure of Kshs.4,465,432,406 in respect of compensation of employees representing 37% of the total revenue received of Kshs.12,022,697,906 during the year. This is contrary to Regulation 25(1) (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the County Assembly to set a wage limit which should not exceed 35% of the revenue.

In the circumstances, Management was in breach of the law.

12. Commingling of Donor Grants

During the year, the County Executive received grants of Kshs.20,070,000 from DANIDA for Universal Health Care in Devolved Units Programme and an amount of Kshs.51,996,243 from the World Bank for Transforming Health Systems for Universal Care Project. However, these amounts were held in the Universal Health Care - Central Bank Account. This was contrary to Regulation 76(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that, "for the purpose of disbursement of project funds, there shall be opened and maintained a project account for every project at Central Bank of Kenya unless it is exempted by the Cabinet Secretary in writing where the Central Bank of Kenya has no branch or banking facilities, into which all funds shall be kept and such an account shall be known by the name of the project for which it is opened and each project shall maintain only one bank account".

In the circumstances, Management was in breach of the law.

13. Irregular Collection of User Fees

Review of reports from dispensaries indicated that nineteen (19) dispensaries collected user fees foregone amounting to Kshs.14,590,590, contrary to the National Government Policy on abolition of user fees of 2013. Further, as compensation for user fees foregone, the National Treasury vide Treasury Circular No.25/2020 allocated the County Executive an amount of Kshs.23,385,934.

In the circumstances, Management was in breach of the law.

14. Projects Implementation Status

14.1 Delayed Construction of Project

The statement of receipts and payments reflects an expenditure on acquisition of assets expenditure of Kshs.2,113,043,547 which, as disclosed in Note 17 to the financial statements, includes an amount of Kshs.541,522,785 relating to construction and civil works. The latter further includes an amount of Kshs.327,671,155 paid for construction and development of a sports complex in Mombasa.

Review of records indicated that the budgeted cost of the project amounted to Kshs.1,768,183,999. The contract was signed on 28 December, 2018 with an expected start date of 18 January, 2019 and a contract duration of three (3) years. The contractor

was paid a total of Kshs.327,671,155 during the financial year 2020/2021, thereby bringing the total payment to Kshs.523,613,981 or approximately 30% of the contract sum. However, as at the time of the audit inspection in November, 2021, the project's remaining contract duration was three months yet only 30% of the works had been done and paid for.

In the circumstances, it was not possible for the project to be completed within the remaining period and value for money on the project could not be confirmed.

14.2 Construction of Early Childhood Development (ECD) Schools

As reported in the previous years, the Department of Education entered into a contract for construction of ECD Schools in eight (8) locations in the financial year 2014/2015 at a total cost of Kshs.214,173,840. The contract duration was 32 weeks, which commenced in May, 2014 and expected completion date was December, 2015.

Further, Note 17 to the financial statements reflects an expenditure of Kshs.74,808,052 incurred on construction of buildings during the year under review, out of which an amount of Kshs.4,971,945 was spent on construction of ECD Schools. However, as at the time of the audit inspection in November, 2021, only six (6) ECD Schools, had been completed while the remaining two (2) had stalled and the contractor was not on site.

In the circumstances, value for money on the expenditure could not be confirmed.

14.3 Overall Projects Implementation

The Projects Implementation Status Report provided for audit, indicated that, a total of one hundred and three (103) projects, with a cumulative contract price of Kshs.2,688,500,796 were rolled out across the County. However, the following observations were made:

i. Twelve (12) projects costing Kshs.36,691,411 and representing 12% of the total projects were completed and in use.

ii. Eighty-seven (87) projects representing (84%) of the total projects with a cumulative contract price of Kshs.2,545,832,590 were ongoing.

iii. Four (4) projects representing (4%) of total projects with a cumulative contract price of Kshs.106,056,715 had stalled.

Audit inspection during the month of November, 2021 on some of the projects revealed the following anomalies:

i. Construction of Kongowea Exit Road to Cabro Standard Kongowea Market – Works costing Kshs.23,568,429 had not been completed with a section of the road not constructed and the contractor was not on site.

ii. Improvement of Kongowea Wholesale Market Bays to rigid standards costing Kshs.14,914,000. The contractor was not on site but the bay near the dumpsite had not been constructed.

In the circumstances, the public may not get value for money spent on the projects.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

15. Management of Fixed Assets

As previously reported, Annex 6 - summary of fixed assets register to the financial statements reflects cumulative assets balance of Kshs.21,624,772,127 as a 30 June, 2021. According to the accompanying disclosure note, the balance includes assets bought and inherited by the County Executive from the defunct local authorities in the County. However, documentary evidence was not provided to indicate details of assets and liabilities which were handed over to the County Executive.

In the circumstances, it has not been possible to confirm the existence of adequate mechanism to safeguard the assets under the County Executive.

COUNTY EXECUTIVE OF KWALE - NO.2

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

16. Variance in Amounts Transferred to Municipalities

The statement of receipts and as disclosed in Note 14 to the financial statements reflects transfers to other Government entities amounting to Kshs.1,372,021,099. Included in the transfers is an amount of Kshs.973,000 transferred to Kwale Municipality. However, records maintained by the Kwale and Diani Municipalities reflected transfers amounting to Kshs.1,208,766 and Kshs.41,730,000 respectively all totalling to Kshs.42,938,766, resulting in an unreconciled variance of Kshs.41,965,766.

Consequently, the accuracy and completeness of transfers to other Government entities amounting to Kshs.1,372,021,099 could not be confirmed.

17. Unsupported Expenditure on Construction of Mwakalanga Dam

The County Executive entered into a contract to construct Mwakalanga Dam Phase II at a contract sum of Kshs.33,561,560. Physical verification of the project conducted on 17 February, 2022 revealed that the project had been completed and a total of Kshs.32,768,560 had been paid. However, the supporting documents provided were inadequate.

In the circumstances, the accuracy and the regularity of the expenditure amounting to Kshs.32,768,560 could not be confirmed.

18. Lack of Ownership Documents for Land

The County Executive entered into a contract for improvement of Kombani Water Supply Distribution in Ngombeni Ward at a contract sum of Kshs.20,000,000. Physical verification of the project on 16 February, 2022 revealed that the construction works were complete and a total of Kshs.19,919,480 had been paid to the contractor. However, there was no evidence of periodic site inspection by the Project Engineer. Further, records provided indicated that the land on which the water tank sits was in the name of Coast Water Works Development Agency.

In the circumstances, the ownership and security of the land on which the project was implemented could not be confirmed.

Other Matter

19. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.12,261,334,266 and Kshs.9,743,712,672 respectively, resulting in an under-funding of Kshs.2,517,621,594 or

21% of the budget. Similarly, the County Executive spent an amount of Kshs.9,818,150,999 against an approved budget of Kshs.11,354,583,928, resulting in an under-expenditure of Kshs.1,536,432,929 or 14% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

20. Late Exchequer Releases

During the year under review, the County Executive budgeted for exchequer releases of Kshs.10,554,190,576 but received a total of Kshs.8,455,487,400 out of which funds totalling Kshs.2,608,276,500 were received in the month of June, 2021.

The late exchequer releases of Kshs.2,608,276,500 together with the outbreak of the Covid-19 pandemic may have contributed to the under absorption of the budget by Kshs.1,536,432,929 or 14% of the budget.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

21. Projects Implementation Status

Review of the Project Implementation Status Report revealed that the County Executive allocated a total of Kshs.4,514,544,888 for the implementation of 655 projects. However, 299 projects totalling Kshs.1,878,036,330 were complete, 192 projects totalling Kshs.1,914,961,383 were ongoing, 132 projects totalling Kshs.548,460,539 had not been started while the remaining 32 projects totalling Kshs.173,086,636 had stalled.

In the circumstances, the value for money spent on the projects could not be confirmed.

22. Unutilized Assets

The statement of receipts and payments and as disclosed in Note 17 to the financial statements reflects acquisition of assets amounting to Kshs.3,309,877,429. Included in the expenditure is an amount of Kshs.79,726,437 relating to purchase of motor vehicles and other transport equipment out of which an amount of Kshs.12,525,000 was used to purchase a compactor lorry.

However, audit verification conducted in November, 2021 revealed that the lorry was idle due to lack of skip bins which were procured but had not been delivered. Further, the dumping site was still under construction.

Similarly, the County Executive procured a CT Scan Machine for Kinango Sub-county Hospital at a cost of Kshs.60,000,000. However, physical verification conducted in November, 2021 indicated that the machine was not in use. In addition, installation reports were not provided for audit verification and application training by the supplier had not been done.

In the circumstances, value for money in the procurement of the lorry and the CT Scan Machine could not be confirmed.

23. Lack of an Up to Date Valuation Roll

The statement of receipts and payments and as disclosed in Note 9 to the financial statements reflects County own generated receipts amounting to Kshs.250,090,346. Included in the amount is land rates receipt totalling Kshs.43,623,097 which was collected using the valuation roll that was developed in 2011.

Further, the County Executive entered into a twelve (12) months' contract on 16 June, 2017 for development of a new valuation roll at a contract price of Kshs.28,927,022 with a local company, out of which an amount of Kshs.23,861,616 or 83% of the contract sum was paid. However, as of November, 2021, the document had not been delivered.

In the circumstances, the delay in the delivery and implementation of the new valuation roll may have affected the collection of optimal County own generated revenue.

24. Delayed Completion of Projects

24.1 Construction of Oncology Centre

The statement of receipts and payments and as disclosed in Note 17 to the financial statements reflects acquisition of assets amounting to Kshs.3,309,877,429. Included in the expenditure is an amount of Kshs.1,823,347,447 in respect to domestic payables from the previous years, out of which an amount of Kshs.17,025,298 was utilized in the construction of an Oncology Centre at the Kwale Sub-county Hospital. However, review of procurement records revealed the project was incomplete about four (4) months after the end of the contract period and the contractor had been paid less retention money.

Further, the variation order to renegotiate the contract sum from an amount of Kshs.30,000,000 to Kshs.35,803,984 was not provided.

In the circumstances, value for money in the expenditure of Kshs.17,025,298 could not be confirmed.

24.2 Tarmacking of Road in Ukunda Ward

The statement of receipts and payments and as disclosed in Note 17 to the financial statements reflects acquisition of assets amounting to Kshs.3,309,877,429. Included in the expenditure is an amount of Kshs.499,891,024 in respect to construction of roads, out of which an amount of Kshs.104,040,205 was paid to a contractor for tarmacking of 6.34 Km Kona Musa Mabokoni - Kona Ya Maasai Road in Ukunda Ward. Review of procurement records revealed that the contract sum was Kshs.277,977,685 and the contract period was initially one year from 15 April, 2020 but it was extended to 15 July, 2021. However, at the time of audit inspection in November, 2021, the contractor was not on site and about 2.52 Km of the road was completed.

In the circumstances, value for money in the implementation of the project has not been realized.

24.3 Construction of Governor's Residence

The County Executive entered into a contract for the construction of the Governor's residence in the financial year 2017/2018 at a contract sum of Kshs.149,216,375 for a period of twelve (12) months. However, at the time of project verification in November, 2021, the contractor was not on site and the contract sum had been increased by an amount of Kshs.34,186,702 to Kshs.183,403,077 which had exceeded the Salaries and Remuneration set ceiling of Kshs.45,000,000 by Kshs.138,403,077.

Further, it was observed that the contract period was extended by four (4) months to August, 2019. However, the approval for extension of the contract was not provided. In addition, the Contractor's Performance Bond expired on 4 March, 2019 and there was no evidence that it had been renewed. There was no signage at the construction site even though it had an allocation amounting to Kshs.50,000.

In the circumstances, value for money realized on the project could not be confirmed.

24.4 Construction of Kwale Stadium

The statement of receipts and payments and as disclosed in Note 17 to the financial statements reflects acquisition of assets amounting to Kshs.3,309,877,429. Included in the amount is an expenditure of Kshs.397,894,051 relating to rehabilitation of civil works out of which an amount of Kshs.38,036,919 was paid for the construction of Kwale stadium. The contract was awarded at a sum of Kshs.119,259,841 for a period of 18 months from 6 April, 2020. However, physical verification of the project in November, 2021 revealed that the project was incomplete.

In the circumstances, value for money in the implementation of the project could not be confirmed.

24.5 Expansion of COVID-19 Facility in Msambweni Hospital

The County Executive undertook works to expand the COVID-19 facility in Msambweni Referral Hospital with a budget of Kshs.30,513,000. However, Management opted to use community participation procurement method to source for materials for construction. This was contrary to Section 45(3)(b) of the Public Procurement and Asset Disposal Act, 2015 and the Second Schedule of the Public Procurement and Asset Disposal Regulations, 2020 which stipulates that the maximum value for the use of community participation procurement for goods is an amount of Kshs.30,000,000. Physical verification at the facility conducted in November, 2021 revealed that the construction was still ongoing and no explanation was given for failure to tender for the project.

In the circumstances, Management was in breach of the law.

24.6 Construction of Kombani Fresh Produce Wholesale Market

The County Executive entered into a contract to construct Kombani Fresh Produce Wholesale Market at a contract sum of Kshs.105,911,142. Review of records revealed that a total of Kshs.96,907,640 had been paid save for the retention money. Further, records indicated that the site was handed over to the contractor on 4 April, 2019 with the expected contract duration of forty-five (45) weeks ending in March, 2020. However, the contractor did not finish the works by the end of the stipulated period, occasioning an extension by about eleven (11) months.

The work remained incomplete prompting the County Engineer to issue a default notice on 13 September, 2021 mainly due to slow progress and abandonment of site. Consequently, the contract was terminated on 02 November, 2021.

Further, the performance guarantee expired on 07 March, 2021 but evidence of renewal was not provided. Physical verification of the project on 16 February, 2022 was not done due to denial of access.

In the circumstances, the value for money in the implementation of the project has not been realized.

24.7 Construction of Dziweni Dam – Phase II

The County Executive entered into a contract for construction of Dziweni Dam - Phase II at a contract sum of Kshs.20,157,500. Physical verification conducted on 17 February, 2022 indicated that the project was incomplete and the contractor had been paid a total of Kshs.12,177,500.

In the circumstances, the value for money in the implementation of the project has not been realized.

24.8 Development of Medium Size Dam

The County Executive entered into a contract for construction of a medium size dam in Kizingo Phase I at a contract sum of Kshs.89,628,560. Physical verification conducted on 17 February, 2022 indicated that the contractor had been paid an amount of Kshs.89,500,937. In addition, the dam, four cattle troughs and one watering point had been constructed. However, two (2) kilometres of the distribution line had been done out of the planned twelve (12) kilometers. Further, the water treatment plant was not working because of leakages and there was no evidence of site handing over.

In the circumstances, value for money in the implementation of the project has not been realized.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

25. Lack of Risk Management Policy

As previously reported, Management had not put in place a risk management policy, strategies and risk register to mitigate against risk. This was contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

In the circumstances, the County Executive is exposed to losses and interruption of operations due to failure to formulate a risk management policy.

COUNTY EXECUTIVE OF KILIFI - NO.3

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

26. Inaccuracies in the Financial Statements

26.1 Returned County Revenue Fund (CRF) Issues

The statement of receipts and payments reflects CRF issues balance of Kshs.68,935 that differs from the amount of Kshs.1,132,168,534 shown in the summary statement of appropriation - recurrent and development combined. The resulting difference of Kshs.1,132,099,599 was not explained or reconciled.

26.2 Variances Between the Statement of Assets and Liabilities and Integrated Financial Management Information System (IFMIS) Balances

The statement of assets and liabilities reflects an accounts receivables balance of Kshs.104,233,149 which differs from the IFMIS generated report balance of Kshs.882,763,043. The resultant variance of Kshs.778,529,894 was not reconciled or explained.

In the circumstances, the accuracy and completeness of the reported balances for Returned CRF issues and accounts receivables could not be confirmed.

27. Unsupported County Own Generated Receipts

The statement of receipts and payments reflects County own generated receipts of Kshs.829,910,051 which as disclosed in Note 3 to the financial statements, included an amount of Kshs.273,840,434 and Kshs.25,515,572 in respect of cess on natural resources and parking fees, respectively. The revenue was banked in two (2) escrow current accounts maintained locally in Malindi. However, detailed reports on the revenue collected were not provided for audit.

In addition, the following inconsistencies were noted in the reported revenue balances:

Revenue	Balance as per Certificate of Bank Balance as at 30 June, 2020 (Kshs.)	Revenue Collected in 2020/2021 (Kshs.)	Expected Revenue Balance as at 30 June, 2021 (Kshs.)	Balance as per Certificate of Bank Balance as at 30 June, 2021 (Kshs.)	Unreconciled Variance (Kshs.)
Cess on natural resources	350,396,502	273,840,434	624,236,936	503,044,754	121,192,182
Parking fees	95,071,059	25,515,572	120,586,631	121,929,492	(1,342,861)

In the circumstances, the completeness and accuracy of the reported revenue from cess on natural resources and parking fees could not be confirmed.

28. Accounts Receivable

The statement of assets and liabilities reflects accounts receivable balance of Kshs.104,233,149. The following unsatisfactory observations were made:

28.1 Long Outstanding Imprests

As disclosed in Note 13 to the financial statements, the balance included outstanding imprests of Kshs.4,267,527. However, imprest amounting to Kshs.750,391 had been outstanding for more than two (2) years. Management explained that the amount related to imprests held by officers who had transferred services without full clearance by the Management and that one (1) officer had since passed away, casting doubt on the recoverability of the imprests.

28.2 Dispute with Kenya Revenue Authority (KRA)

According to information and records maintained by the Management and as disclosed in Note 13 to the financial statements, KRA accused the County Executive of failure to honour an agency notice to recover taxes amounting to Kshs.41,618,306 from a supplier and enforced direct collections of the amount through demand notice on 28 April, 2021. In turn, the County Executive, through a Court Order recovered the amount from the Pay As You Earn (PAYE) deductions for the month of May, 2021 and paid the balance of Kshs.15,228,759. However, KRA enforced another direct collection of Kshs.56,724,881 in respect of PAYE for the same month. The direct collection has been included in the reported balance for accounts receivable. As at the time of audit, the matter had not been settled and the recoverability of the balance remained uncertain.

28.3 Loss of Cash

As previously reported, and as disclosed in Note 13 to the financial statements, the reported accounts receivable balance of Kshs.104,233,149 includes other accounts receivable of Kshs.43,240,740 relating to loss of cash through online transfer of funds without supporting documents. The total amount lost was Kshs.51,569,775, out of which an amount of Kshs.8,329,035 was recovered. Although the County Executive was pursuing recovery of the balance of Kshs.43,240,740 in Court, as at the time of audit, the amount was yet to be recovered.

In the circumstances, the accuracy of the accounts receivable balance of Kshs.104,233,149 could not be confirmed.

Other Matter

29. Pending Bills

As summarized under Other Important Disclosures to the financial statements, the County Executive had pending bills amounting to Kshs.1,305,608,663 as at 30 June, 2021 comprising of pending accounts payable - Kshs.1,253,307,074, pending staff payables -

Kshs.47,501,054 and other pending payables - Kshs.4,800,535. Included in the pending accounts payable balance of Kshs.1,253,307,074 is a total of Kshs.72,257,851 due to two (2) suppliers. However, information obtained from the suppliers indicated bills of Kshs.172,965,996 on unpaid invoices resulting into an unexplained variance of Kshs.100,708,145.

In the circumstances, the accuracy and completeness of the reported pending bills totalling to Kshs.1,305,608,663 could not be confirmed.

30. Unresolved Prior Year Matters

Management provided a summary of the audit issues raised under the progress on follow up of prior year auditor's recommendations. However, the Management comments and the actions taken towards resolving the issues were not provided contrary to the Public Sector Accounting Standards Board pursuant to Section 194 (d) of the Public Finance Management Act, 2012 provides the format for financial statements and reporting by all state organs and public entities.

In the circumstances, the financial reporting guidelines provided by the Board had not been adhered to.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

31. Projects Implementation

The County Executive allocated a total of Kshs.4,962,784,348 in the financial year 2020/2021 for implementation of six hundred and two (602) projects but only managed to spend an amount of Kshs.3,554,473,448, leaving an unspent balance of Kshs.1,408,310,900. According to the Projects Implementation Status Report provided for audit, only four-hundred and nine (409) projects were completed during the year under review while one-hundred and eighteen (118) projects were on-going, five (5) had stalled and the remaining seventy (70) did not commence.

Further, Management budgeted to spend an amount of Kshs.85,900,000 on thirty-four (34) projects with an additional amount of Kshs.29,251,440 earmarked in the budget for the financial year 2021/2022. Management had spent a total of Kshs.72,928,519 on these projects and reported additional funding requirements amounting to Kshs.144,961,071 to complete them. In addition, audit inspection in the month of October, 2021 revealed that a total of Kshs.15,121,392 had been spent on three (3) projects with a total budget of Kshs.12,000,000. The three (3) projects in Malindi, Kibarani and Gongoni Wards had been completed but remained idle.

Failure to implement the projects as planned may not only impact negatively on service delivery to the public but also lead to loss of public funds through cost escalations arising from delayed completion of the projects.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

32. There were no material issues noted on Effectiveness of Internal Controls, Risk Management and Governance during the audit.

COUNTY EXECUTIVE OF TANA RIVER - NO.4

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

33. Variances Between Financial Statements and Integrated Financial Management Information System (IFMIS) Reports

Review of the financial statements revealed variances between the amounts and balances in the statement of receipts and payments and statement of cash flows, and IFMIS report as detailed below:

Statement of Receipts and Payments

Item	Financial Statement (Kshs.)	IFMIS Report (Kshs.)	Variance (Kshs.)
Exchequer Release	5,861,105,250	0	5,861,105,250
Proceeds from Domestic and Foreign Grants	490,681,129	0	490,681,129
Transfer from Other Government Entities	230,990,091	0	230,990,091
County Own Generated Receipts	83,075,805	0	83,075,805
Returned CRF Issues	405,499	0	405,499
Compensation of employees	1,610,491,834	1,521,532,821	88,959,013
Use of Goods and Services	1,530,831,615	834,499,710	696,331,905
Transfer to Other Government Units	1,241,058,100	886,934,582	354,123,518
Other Grants and Transfers	199,505,000	0	199,505,000
Social Security Benefits	28,536,301	16,516,590	12,019,711
Acquisition of Assets	1,365,448,080	859,032,829	506,415,251
Other Payments	241,664,565	1,120,776,270	(879,111,705)

Statement of Cash Flows

Component	Financial Statement (Kshs.)	IFMIS Report (Kshs.)	Variance (Kshs.)
Net increase in Cash and Cash Equivalent	385,936,742	(3,082,544,133)	3,468,480,875
Opening Cash and Cash Equivalents	702,224,338	9,034,821,417	(8,332,597,079)
Closing Cash and Cash Equivalents	1,088,161,080	5,953,229,684	(4,865,068,604)

In the circumstances, the accuracy of the financial statements could not be confirmed.

34. Unsupported Other Miscellaneous Revenues

The statement of receipts and payments and as disclosed in Note 4 to the financial statements reflects County own generated receipts of Kshs.83,075,580. Included in this amount is in respect to other miscellaneous revenues of Kshs.3,956,827. The revenue stream had no budgetary provision and Management did not provide for audit a schedule to support the balance.

In the circumstances, the accuracy and completeness of miscellaneous revenue amounting to Kshs.3,956,827 could not be confirmed.

35. Inaccuracies in Compensation of Employees

The statement of receipts and payment and as disclosed in Note 6 to the financial statements reflects compensation of employees' amount of Kshs.1,610,491,834. This amount was at variance with the internet banking statement amount of Kshs.1,553,050,064 resulting in an unexplained and unreconciled variance of Kshs.57,441,770.

In the circumstances, the accuracy and completeness of compensation of employees' expenditure of Kshs.1,610,491,834 could not be confirmed.

36. Inaccuracies in Acquisition of Assets

The statement of receipts and payments and as disclosed in Note 12 to the financial statements reflects the acquisition of assets expenditure of Kshs.1,365,448,080. However, examination of records provided for audit revealed the following anomalies:

36.1 Unsupported Construction of Buildings

The expenditure includes construction of buildings amount of Kshs.317,957,347 out of which contracts worth Kshs.54,391,179 was not supported with tender documents such as tender advertisement, tender opening minutes, letter of appointment of the tender opening committee, appointment letter for tender evaluation committee, minutes of the evaluation committee, notification letter of award to the successful bidder and unsuccessful bidders, letter of acceptance by the winning bidder, contract agreement, inspection and acceptance committee report/minute and professional opinion recommending the approval.

In the circumstances, the regularity of expenditure amounting to Kshs.54,391,179 could not be confirmed.

36.2 Unsupported Refurbishment of Buildings

The expenditure includes refurbishment of buildings amount of Kshs.89,567,151. However, review of records provided for audit revealed the following anomalies:

i) The project files for refurbishment amounting to Kshs.37,233,162 did not contain tender documents such as approved tender notice, tender opening minutes, letter of appointment of the tender opening committee, appointment letter for tender

evaluation committee, minutes of the evaluation committee, notification letter of tender award to the successful bidder and unsuccessful bidders, contract agreement, inspection and acceptance committee report/minute, and professional opinion recommending the approval.

ii) The tender opening minutes and tender evaluation report for expenditure totalling Kshs.31,229,625 were not signed by all committee members and each and every page not initialized to acknowledge that the minutes were true reflection of the proceedings held.

iii) Tenders amounting to Kshs.43,142,992 were awarded and approved by the Accounting Officer without the professional opinion of the Head of Procurement.

iv) The list of houses provided by the Department of Urban Development Services, revealed that the County Executive owns fourteen (14) houses located at Mapenzi Estate. However, physical verification and documents analysis revealed that the expenditure amounting to Kshs.32,455,250 for repair, refurbishment, fencing, and construction of sewerage was done on twelve (12) houses which were not in Mapenzi Estates and were not in the list of County Executive Houses.

v) The renovated houses in the estates lacked branding or identification numbers. This made it difficult to determine which house had been renovated and in which estate and payment could not be linked to a specific house.

In the circumstances, the ownership and regularity of the refurbished buildings expenditure of Kshs.32,455,250 could not be confirmed.

36.3 Unsupported Construction and Civil Works

The expenditure includes an amount of Kshs.186,757,536 for construction and civil works. However, examination of records revealed that an amount of Kshs.54,086,400 incurred on construction and civil works lacked various tender documents. Further, it was noted that the professional opinion was not signed by the Head of Procurement and the retention money was not deducted from the payments to cater for the future defects if any.

In the circumstances, the accuracy, completeness and regularity of expenditure amounting to Kshs.54,086,400 on construction and civil works could not be confirmed.

36.4 Unaccounted for Refurbishment of Buildings

The expenditure includes refurbishment of buildings of amounting to Kshs.89,567,151. Included in this amount is payment of Kshs.3,998,985 for internet connection, CCTV installation and other equipment. However, the items were procured on 9 May, 2019 and were delivered on the same day. The items were, however, not recorded in the store ledgers. In addition, although the sixteen (16) IP CCTV camera worth Kshs.720,000, one (1) 16 channel NVR costing Kshs.320,200, two (2) power UPS SKVA costing Kshs.380,000, one hundred and forty-eight (148) ports access port switch worth Kshs.490,000, thirty (30) double patch codes worth Kshs.1,350,000 while two (2) 8 TB HDD and two (2) 65” TV were procured for the lands and physical planning department. Physical verification carried out on 18 November, 2021 revealed that the items were not

at the physical planning department server room while sixteen (16) CCTV cameras were not installed in the same office even though they were delivered on 9 May, 2019.

In the circumstances, the accuracy and regularity of the expenditure of Kshs.3,998,985 incurred on purchase and installation of CCTV and other equipment could not be confirmed.

36.5 Misclassification of Expenditure

The expenditure includes an amount of Kshs.37,126,831 relating to the purchase of specialized plant, equipment and machinery. However, review of records indicated that an amount of Kshs.2,588,300 paid to a supplier in respect of purchase of office carpet and furniture was wrongly charged to account for purchase of specialized plant, equipment and machinery. In addition, payments amounting to Kshs.1,472,172 paid to a supplier in respect of purchase of fertilizers was wrongly charged to the same account.

In the circumstances, the accuracy of acquisition of assets balance of Kshs.1,365,448,080 could not be confirmed.

37. Use of Goods and Services

The statement of receipts and payments and as disclosed in Note 7 to the financial statements reflects use of goods and services expenditure of Kshs.1,530,831,615. However, the following anomalies were noted:

37.1 Unsupported Expenditure on Rentals of Produced Assets

The expenditure includes an amount of Kshs.52,028,877 in respect of rentals of produced assets which included expenditure of Kshs.9,511,483 in respect of car hire, office rents and hire of helicopters. However, the expenditure lacked supporting documents such as requisition from user department, tender documents, invoices, local service orders, log books and work tickets for the hired vehicles.

In the circumstances, the accuracy and completeness of expenditure amounting to Kshs.9,511,483 relating to rentals of produced assets could not be confirmed.

37.2 Unsupported Expenditure on Specialized Materials and Services

The expenditure includes an amount of Kshs.191,376,798 in respect of specialized materials and services. Included in this expenditure is an amount of Kshs.78,852,327 which was not supported with tax compliance certificate, Kenya Revenue Authority Personal Identification Number certificate, business questionnaire of the winning bidder, tender opening register, tender evaluation report, dispatch registers, S3 cards and issue vouchers. Further, letters of appointment for the inspection and acceptance committee, user requisition, professional opinion were not signed by Accounting Officer and Head of Procurement.

In the circumstances, the accuracy, completeness and regularity of the expenditure of Kshs.78,852,327 could not be confirmed.

37.3 Unsupported Domestic Travel and Subsistence Allowances

The expenditure includes domestic travel and subsistence amount of Kshs.287,404,719. Included in this expenditure is an amount of Kshs.23,199,160 paid to officers who were attending workshops, training and other official duties outside the County. However, the payments were not supported with invitation letters, training programs, signed payment schedule, signed attendance register, certificate of participation, and motor vehicle work ticket. In addition, some officers were paid an amount of Kshs.3,749,600 as per diem for travelling outside their duty station to prepare and consolidate financial statements, prepare procurement plan and process tender documents. The basis for selecting venues outside the County has not been justified.

In the circumstances, the accuracy, completeness and regularity of domestic travel and subsistence allowances of Kshs.26,948,760 could not be confirmed.

37.4 Unapproved and Unaccounted for Legal Fees

The expenditure includes legal fees amounting to Kshs.72,013,793 paid to six (6) law firms. This was against a budgetary allocation of Kshs.10,000,000 for legal expenses resulting in unapproved expenditure of Kshs.62,013,793. It was not clear how the law firms were identified to provide legal services since tender documents as well as case files and other supporting documents worth Kshs.69,639,793 were not provided for audit review. Further, payment records of Kshs.59,975,000 relating to legal fees lacked payment voucher details such as payment voucher number and vote book control certificate. Similarly, the payments were not authorized, examined and approved.

In addition, documents such as list of pending legal cases, outstanding legal fees per case, stage of proceedings of each case, fees paid up to date per case, breakdown of legal fees in fee notes and evidence of court attendance, rate as per advocate remuneration roll, statements or ledgers of advocates accounts and case files showing the value of each case were not provided for audit.

In the circumstances, the accuracy, completeness and regularity of the expenditure of Kshs.72,013,793 on legal expenses could not be confirmed.

37.5 Unaccounted for Fuel

The expenditure includes an expenditure of Kshs.53,040,351 relating to fuel, oil and lubricants was incurred out of which an amount of Kshs.32,002,248 was not accounted for through bulk fuel register, work tickets and detail orders.

In the circumstances, the accuracy and completeness of expenditure of Kshs.32,002,248 relating to fuel could not be confirmed.

37.6 Unaccounted for Furniture

The expenditure includes an amount of Kshs.33,698,246 that was incurred in respect of purchase of office furniture and general equipment. However, procurement of furniture worth Kshs.12,389,598 were not taken on charge. Further, physical verification carried out in November, 2021 established that the furniture was not serialized hence it was not possible to confirm the existence of the furniture

In the circumstances, the accuracy and completeness of the expenditure amounting to Kshs.12,389,598 could not be confirmed.

37.7 Unsupported Garbage Collection

The expenditure includes an amount of Kshs.217,202,608 spent on other operating expenses out of which an amount of Kshs.72,820,862 was paid to nine (9) different companies for garbage collection. However, the number of trips made to the dumpsite and registration number of vehicles were not indicated. Further, there were no entry and exit log into the designated dumpsites by the garbage collection vehicles as well as time sheets to determine the number of hours the garbage trucks worked in a day, the specific Sub-county that each company was prequalified for could not be confirmed.

In addition, the project files containing key procurement documents such as advertisement, evaluation reports, company profiles of the winning and losing bidders, contract agreement, professional opinion, notification to successful and unsuccessful bidders, contract award letter for projects worth Kshs.25,974,310 were not provided for audit. Some companies which were awarded contracts were not in the list of prequalified contractors for garbage collection.

In the circumstances, the regularity, accuracy and completeness of expenditure amounting to Kshs.72,820,862 relating to garbage collection could not be confirmed.

38. Unsupported Outstanding Imprest

Account receivable balance includes an amount of Kshs.19,311,700 in respect of imprests. Review of the imprest details revealed that imprests amounting to Kshs.11,306,000 did not have supporting documents and had not been surrendered at the time of audit. Further, the imprests were not recorded in the imprest register.

In the circumstances, the accuracy and completeness of the account receivable balance of Kshs.11,306,000 could not be confirmed.

39. Unsupported Pending Accounts Payables

Included under other important disclosures to the financial statements are pending account payables balance of Kshs.1,021,035,901. However, Management did not maintain creditors' ledgers showing creditors movement from a balance of Kshs.1,157,939,144 as at 30 June, 2020 to a balance of Kshs.1,021,035,901 as at 30 June, 2021. In addition, payment vouchers with supporting documents such as contract agreements, local purchase/service orders, invoices/certificates of works were not provided for audit.

In the circumstances, the accuracy, completeness and existence of the pending bills balance of Kshs.1,021,035,901 could not be confirmed.

40. Deposits and Retention

The statement of assets and liabilities reflects a balance of Kshs.13,655,627 relating to accounts payables - deposits and retentions. However, Management did not disclose the amount paid to contractors as deposit and retention during the year and net changes in accounts payables. Further, Management did not maintain creditors' ledgers. It was also noted that an amount of Kshs.28,595,619 meant for contractors was not transferred to the deposit bank account.

In the circumstances, the accuracy and completeness of creditors' balance of Kshs.13,655,627 could not be confirmed.

Other Matter

41. Budgetary Control and Performance

The statement of appropriation - recurrent and development combined reflects budget estimates of Kshs.8,145,250,253. However, the Executive had an actual expenditure of Kshs.6,243,308,690 resulting to under absorption of Kshs.1,901,941,563 representing 33%.

Failure to absorb the approved budget may have impacted negatively on service delivery.

42. Late Exchequer Releases

The statement of receipts and payments reflects exchequer receipts totalling to Kshs.5,861,105,250, out of which an amount of Kshs.1,463,812,500 was received on 23 and 30 June, 2021, just a few days to the end of the financial year.

The delayed disbursement is contrary to Section 17(6) of the Public Finance Management Act, 2012 which states that The National Treasury shall, at the beginning of every quarter, and in any event not later than the fifteenth day from the commencement of the quarter, disburse monies to County Governments.

The delay in disbursement of the funds from The National Treasury may have negatively impacted service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

43. Late Assent of County Appropriation Act, 2020

The County Appropriation Act, 2020 was assented to on 28 August, 2020. However, Management did not provide approval from the Speaker of the County Assembly to the County Executive Committee Member granting authority to withdraw from the County Revenue Fund. This was despite withdrawal of an amount of Kshs.26,174,014 and Kshs.304,441,262 from the County Revenue Fund for recurrent and development expenditure respectively, on 1 July, 2020 and 28 August, 2020.
In the circumstances, Management was in breach of the law.

44. Non-remittance and Late Statutory Payments

The statement of receipts and payments and as disclosed in Note 6 to the financial statements reflects compensation of employees' expenditure of Kshs.1,610,491,834. However, comparison of statutory deductions from payrolls with bank statements revealed that deductions were not remitted on time to the respective authorities as detailed below:

Month	Deduction Type	Amount Deductions (Kshs.)	Date Remitted	Deadline
July, 2020	NHIF	1,366,176	Not traced in July, August and September Statements	9 August, 2020
August, 2020	NHIF	1,327,537	Not traced in July, August and September Statements	9 September, 2020
July, 2020	PAYE	59,470,426	Not traced in July, August and September Statements	9 August, 2020
August, 2020	PAYE	50,620,145	Not traced in July, August and September Statements	9 September, 2020
	Total	**112,784,284**		

Further, a comparison of schedule supporting the financial statement with reports from IFMIS system and the Internet Banking system statement revealed that PAYE deductions amounting to Kshs.62,755,233 were processed in IFMIS system but not paid in the Internet Banking system.

In addition, a comparison of schedule supporting the financial statements with payment reports from IFMIS section and internet banking statement revealed that there were other deductions from employees' salaries amounting to Kshs.1,343,115 that were processed in IFMIS system but not remitted to respective institutions.

In the circumstances, Management was in breach of the law.

45. Unremitted House Rent

During the year under review, the Management deducted house rent totalling Kshs.1,148,850 from the salaries of employees who are tenants of the houses owned by the State Department for Housing and Urban Development. The deducted amounts remained unremitted to the State Department at the time of the audit in November, 2021. This was contrary to Regulation 66(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that when a County Government entity renders agency services to another County Government entity or National Government entity, all revenue receipts collected shall be accounted for fully by the agent to the receiver of revenue or collector of revenue or accounting officer.

In the circumstances, Management was in breach of the law.

46. Delayed Construction of Roads

During the year under review, Management incurred an expenditure relating to construction of roads amounting to Kshs.555,296,465 which included an amount of Kshs.60,020,299 paid to a contractor for the rehabilitation of roads to bitumen standards at Hola and Bura. However, it was noted that the contract validity period lapsed on 24 June, 2021 and no extension was given to the contractor before the expiry of the tender validity period. This was contrary to Section 88 of the Public Procurement and Asset Disposal Act, 2015. Further, review of both departmental and consolidated procurement plans for the financial year under review reflected construction of access roads and construction of major or minor roads respectively instead of specific planned project names thereby making it difficult to link the procurement plan with the budget. Physical verification carried out on 17 and 20 November, 2021 revealed that the work done was 73% and 80% for Hola and Bura projects respectively and the contractor was not on site.

In the circumstances, value for money and timely completion of projects for the benefit of the public has not been realised.

47. Irregular Procurement of Ambulances

During the year under review, Management procured five (5) Ambulances using direct procurement method at a cost of Kshs.47,650,000. However, examination of payment records provided for audit revealed that the expenditure was not supported with copy of Adhoc Evaluation Reports, Professional Opinion, prior approval from the accounting officer, logbooks, inspection report from Ministry of Transport, Infrastructure, Housing and Urban Development. Further, the vehicles were not recorded in the fixed assets register. In addition, there was no negotiation between the Management and the suppliers as required by Section 104 of the Public Procurement and Asset Disposal Act, 2015. Although the method of procurement was indicated in the approved procurement plan as an open tender, direct procurement method was used with no reasons given for the choice of the procurement contrary to Section 103(2) of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, Management was in breach of the law.

48. Unsupported Purchase of Certified Seeds and Fingerlings

During the year under review, Management incurred an expenditure of Kshs.50,457,198 relating to the purchase of certified seeds, breeding stock and live animals which includes an amount of Kshs.16,654,660 and Kshs.3,980,000 spent on purchase of seeds and fingerlings respectively. However, Management did not provide evidence showing that the seeds and fingerlings were taken on charge, issued out, there was a need assessment, price market survey, sustainability of the projects and suitability of the soil and water for the seeds and the fingerlinks carried out before they were procured.

Further, detailed signed schedule of farmers who benefited from the projects and how they were sourced were not provided for audit review.

In addition, the procurement of the fingerlings was not budgeted for or included in the procurement plan. Similarly, there was no contractual agreement or local purchase order raised in the case of fingerlings and the payment records lacked authority by the accounting officer and vote book control certificate.

In the circumstances, Management was in breach of law.

49. Irregular Construction of the Hola Stadium Contract

Management entered into a contract agreement for the construction of Hola Stadium at a contract sum of Kshs.39,221,142 on 1 March, 2019. However, it was noted that variation of Kshs.9,386,845 was done without approval by the Accounting Officer and the Evaluation Committee. This was contrary to Section 139(a) of the Public Procurement and Asset Disposal Act, 2015 which states that an amendment or a variation to a contract resulting from a procurement proceeding is effective only if amendments or variations to contracts have been approved in writing by the respective tender awarding authority within a procuring entity.

Physical verification conducted on 17 November, 2021 revealed that despite the final certificate having been paid, the athletics running tracks estimated at a cost of Kshs.3,822,160 had not been done, the golf grass that cost Kshs.5,568,000 has dried up in some parts, the field was not well leveled and markings of the soccer pitch had not been done. Further, the soccer pitch may not be in use for its intended purpose in the near future despite the fact that it had taken about three (3) years to be constructed because other amenities such as dressing rooms, washrooms, perimeter fence, lighting and dais have not been installed since they were not included in the bills of quantity.

In the circumstances, the propriety and value for money may not have been realized.

50. Unsatisfactory Renovation of Staff Houses

Management awarded a contract for the renovation of staff houses on 21 January, 2020 at a contract sum of Kshs.3,590,989. However, physical verification carried out on 18 November, 2021 revealed that the houses had huge crack on the walls, they were not painted, the roof and rotten timbers were not replaced and there was no indication that the renovation works were certified by County Director of Housing on 28 May, 2020. In addition, Inspection and Acceptance Committee report and the bills of quantities were not provided for audit.

In the circumstances, value for money for renovation of staff houses totalling to Kshs.3,590,989 may not have been realized.

51. Irregular Expenditure on Office and General Supplies and Services

Management incurred an expenditure of Kshs.30,450,324 under office and general supplies and services which had the following anomalies:

i) The goods were not taken on charge and received through counter receipt voucher (S13) and issued out through counter issue Note (S11).

ii) Inspection Committee was not appointed and therefore, the goods supplied were not inspected contrary to Section 48 of the Public Procurement and Asset Disposal Act, 2015.

iii) In some cases, the head of procurement did not sign professional opinion contravening Section 84(1) of the Public Procurement and Asset Disposal Act, 2015.

iv) There was no request from the user departments.

v) Some of the winning bidders did not indicate the names and other details on the quotations.

In the circumstances, Management was in breach of the law.

52. Irregular Purchase of Mortuary Refrigeration Equipment

During the year under review, Management incurred expenditure of Kshs.19,980,600 on the purchase and installation of mortuary refrigeration equipment for Hola Sub-county Hospital. However, the equipment was transferred to Garsen Sub-county Hospital after it was discovered that Hola Sub-county Hospital did not have a mortuary facility. Management converted one of the Garsen Hospital's facilities to a morgue but due to the small size of the rooms and proximity to the maternity ward, the public health personnel in the Sub-county objected to the plan. Physical verification carried out on 17 November, 2021 established that the equipment was lying idle in Garsen Sub-county Hospital awaiting to be transferred to Minjila Sub-county Mortuary.

Further, there were no need assessment and price market survey carried out as required by Section 104 of the Public Procurement and Asset Disposal Act, 2015 and that the tender documents did not show unit prices and detailed specifications of the item to be procured. Similarly, there was no end-user requisition.

In addition, important evaluation criteria such as VAT compliance certificates, tax compliance certificate, previous work of similar magnitude which were mandatory in the evaluation were not provided by the winning bidder and there was no contractual agreement between the Management and the supplier and the Inspection and Acceptance Report was not dated.

The equipment was not taken on charge and was not in the procurement plan.

In the circumstances, the propriety and value for money on the expenditure of Kshs.19,980,600 could not be confirmed.

53. Irregular Supply of Solar Powered and Air Conditioning Works

During the year under review, an amount of Kshs.317,957,347 was incurred on the construction of buildings. Review of records revealed that Management procured fourteen (14) fully equipped mini hospitals with solar-powered and air conditioning worth

Kshs.310,463,501 with an amount of Kshs.50,000,006 being paid for mobilization, bush/ground clearing, erection of the fence, erection of steel water tank tower and construction of complete waste water system consisting of bio-digester soak pit and radial arms. However, the following anomalies were noted:

i) Physical verification conducted in November, 2021 revealed that the waste water system had not been constructed despite payment of an amount of Kshs.12,612,663.

ii) The water steel towers with an amount of Kshs.11,480,000 for the hospitals were not fabricated and were below the 6 meters prescribed. In some of the clusters, fabricated steel towers were not erected at all.

iii) Fencing of the hospitals in the fourteen (14) clusters according to the bills of quantities had a cost of Kshs.13,498,800. However, physical verification revealed that the precast concrete fence post was not used as per the bills of quantities specification. In some clusters, other than fitting the steel tube bars, galvanized wires were not installed at all, a clear indication of incomplete works.

iv) The project files lacked vital documents such as interim certificate of partial completion, inspection and acceptance committee report, confidential business questionnaires, tender security documents, bid documents for both the winning and losing bidders.

In the circumstances, the propriety and value for money on the Kshs.50,000,006 for supply of fully equipped solar powered and air-conditioned works could not be confirmed.

54. Stalled Projects

Physical verification of various projects carried out in November, 2021 revealed that projects with contract sums of Kshs.595,190,908 had stalled. This was contrary to Section 88(2) of the Public Procurement and Asset Disposal Act, 2015 which states that before the expiry of the period during which tenders shall remain valid the accounting officer of a procuring entity may extend that period. During the field inspection it was noted that contractors were not on site. The projects visited were as detailed below:

Project Name	Contract Sum (Kshs.)	Amount Paid (Kshs.)	Completion Status	Remarks
Proposed Construction of County Headquarters	495,268,750	210,910,458	43%	The project was incomplete. The contract signed on 18 June, 2019 and contract was for 75 weeks.
Construction of Food Store in Chewani Ward	25,369,404	20,296,404	95%	The project was incomplete. The contract signed on 25 May, 2019, there was no contractor on site, minimal finishing required.

Project Name	Contract Sum (Kshs.)	Amount Paid (Kshs.)	Completion Status	Remarks
Construction of New Male Ward at Hola Referral Hospital	21,433,146	15,509,339	90%	The project was stalled. The was contract signed on 15 September, 2016. Five (5) years later the project has not been completed.
Design and construction of Chewani Solar small scale Irrigation Project	22,256,920	17,110,134	80%	The project was stalled. The contract validity period expired on 20 June, 2019 and extension was not given.
Construction of Idsowe Solar Small Scale Irrigation Project	20,487,688	16,482,580	75%	The project was stalled and the contract validity period expired on 25 April, 2019 and no extension was given.
Construction of Laza-Hola Solar Small Scale Irrigation Project	10,375,000	9,316,562	80%	The project was stalled and the contract validity period expired on 20 June, 2019 and extension was granted.

No explanation was provided as to why these projects were not completed and have stalled.

In the circumstances, the propriety and value for money from the above projects could not be confirmed.

55. Unremitted Tax

The Management made PAYE deductions amounting to Kshs.192,438.86 that were not remitted to Kenya Revenue Authority in accordance with the income tax Cap 470.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

56. Summary of Fixed Assets

Annex 6 to the financial statements reflects total fixed assets balance of Kshs.6,114,286,234. However, the assets register did not have a separate sheet for each specific class of assets, tag number, serial number, model/type and date of delivery.
Further, for land/buildings, the asset register did not indicate the mode of acquisition, category of land, L.R. certificate number, document of ownership held, size of land, acquisition date, registration date, encumbrances, planning status and the cost of acquisition.

In addition, for roads infrastructure, the register did not indicate the roads description/name/type, the length of the road, date of commissioning, class of road, land registry ID and acquisition amount.

Further, for motor vehicles, the register did not indicate the engine number, chassis number, tag number and year of purchase.

In the circumstances, existence of effective internal control mechanisms on assets could not be confirmed.

57. Staff Management

The Management operated without an approved staff establishment which determines the required staffing levels in each category . This was contrary to Section B of Human Resource Policies and Procedures Manual for the Public Service of May, 2016. The basis for declaring vacancies, advertising, and subsequent recruitment of staff could not be established, an indication of poor internal control systems.

Further, there was no operational staff appraisal system in the County Executive and departments did not set periodical targets, which could have been evaluated at the end of the period and the applicable measure taken for both under and over achievements of the set targets.

In the circumstances, existence of effective internal control mechanisms on staff could not be confirmed.

58. Invalid Tax PIN and National Identification Numbers

Review of manual payrolls data in June, 2021 payroll established that 418 casual employees had missing or invalid Kenya Revenue Tax PIN and or National Identification Numbers. A sample of personnel files requested for audit verification was not provided.

In the circumstances, existence of an effective controls on payroll data could not be confirmed.

59. Non-Compliance with the One Third Basic Salary Rule

Review of manual payroll for the year under review established that there were 112 temporally employees who were earning wages that was below the recommended minimum wage of Kshs.7,241. This contravenes regulation of wages (General) (Amendment) Order, 2018.

In the circumstances, Management was in breach of the law.

COUNTY EXECUTIVE OF LAMU - NO.5

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

60. Variances between the Financial Statements and Integrated Financial Management Information System (IFMIS)

Analysis of IFMIS trial balance and the balance in the ledgers supporting the financial statements revealed the following variances:

Account	IFMIS Trial Balance (Kshs.)	Ledger Balance (Kshs.)	Variance (Kshs.)
Payables from previous periods	228,498,949	235,022,946	(6,523,997)
Cash in Hand	4,495,001,820	48,280	4,494,953,540
Other Debtors and Prepayments	103,483,482	0	103,483,482
Government Imprests	4,932,500	535,450	4,397,050
Other Liabilities	250,516,494	96,667,173	153,849,321
Other General Liabilities	49,906,495	0	49,906,495
Other System required Liabilities	380,000	0	380,000
Opening Balance Reserves	13,091,298,717	1,294,217,074	11,797,081,643

In the circumstances, the accuracy and regularity of the financial statements could not be confirmed.

61. Unsupported Compensation of Employees

The statement of receipts and payments and as disclosed in Note 11 to the financial statements reflects compensation of employees' expenditure of Kshs.1,288,426,590. However, the Management did not provide a supporting schedule in the format requested.

Further, re-computation of the balance in IFMIS gave an amount of Kshs.1,323,772,755, resulting to an unreconciled variance of Kshs.35,343,165.

In addition, Management deducted house rent totalling to Kshs.868,500 from employees. However, records from the State Department for Housing and Urban Development showed that the Management made remittances totalling to Kshs.1,194,471, resulting to an unreconciled overpayment of Kshs.325,971.

In the circumstances, the accuracy and completeness of compensation of employees' expenditure of Kshs.1,288,426,590 could not be confirmed.

62. Unsupported County Own Source Revenue

The statement of receipts and payments and as disclosed in Note 9 to the financial statements reflects County own generated revenue of Kshs.108,433,650. However, the Management did not provide detailed schedules of the revenue collection indicating the name of payee, receipt or transaction numbers and the specific amounts collected manually. The receipts were lumped together and were not classified as per the revenue collector.

Further, review of sampled permits attached in the payment records indicated that the Management was using a series of business permits receipt books that were issued in the year 2015 and have never been returned. I addition, there were cases of business permits with same serial number indicating that parallel permits were being used and hence pilferage of revenue.

In the circumstances, the accuracy, completeness and propriety of County own generated revenue amount of Kshs.108,433,650 could not be confirmed.

63. Unsupported Emergency Expenditure

The statement of receipts and payments reflects other grants and transfers balance of Kshs.131,299,400 which, as disclosed in Note 15 to the financial statements, includes an emergency relief and refugee assistance expenditure amount of Kshs.6,299,400. However, authority letter from the Accounting Officer providing evidence that there was urgent need requiring expenditure under emergency as stipulated in Section 69(3) of Public Procurement and Asset Disposal Act, 2015 was not provided.

In the circumstances, the accuracy and regularity of expenditure under emergency Fund of Kshs.6,299,400 could not be confirmed.

64. Acquisition of Assets

The statement of receipts and payments reflects acquisition of assets amount of Kshs.668,009,308 and as disclosed in Note 17 to the financial statements. The following unsatisfactory matters were noted:

64.1 Unsupported Routine Maintenance of Roadworks

The expenditure includes an amount of Kshs.113,150,402 incurred on the construction of roads. The Management advertised for a tender for routine maintenance of roads under framework agreement for three (3) years on 19 November, 2018. Subsequently, tender evaluation report was done on 12 December, 2018 after which twenty-three (23) firms were shortlisted. However, seven (7) companies were engaged in the mini competition through restricted tendering contrary to Section 102(1)(a) of the Public Procurement and Asset Disposal Act, 2015. Further, the Management did not provide formal contracts between the County Executive and the firms. In addition, there were numerous arithmetic errors on rates and total sums indicated in the bills of quantities which, the Tender Evaluation Committee corrected.

In the circumstances, the accuracy and regularity of construction of roads expenditure balance of Kshs.113,150,402 could not be confirmed.

64.2 Unsupported Construction and Civil Works

The expenditure includes an amount of Kshs.75,633,224 incurred in the construction and civil works. The Management entered into a contract for the proposed construction of Hindi Town drainage system at a tender sum of Kshs.27,185,869.

Project verification conducted on 10 November, 2021 revealed that the project was incomplete and the contractor was also not on site. However, Management did not provide formal extension of the contract period and topographical surveys and detailed designs of the project to verify quantities and distances covered.

In the circumstances, the accuracy and regularity of construction and civil works expenditure of Kshs.75,633,224 could not be confirmed.

64.3 Unsupported Construction Contract

The expenditure includes payment for other domestic account receivable amount of Kshs.235,022,946 out of which an amount of Kshs.6,177,270 was paid for construction of box culvert at Mugomoine Area. Review of records indicated that the Management contracted a firm at contract sum of Kshs.8,447,744 on 19 May, 2020 to start the construction works for five (5) months up to 19 October, 2020. However, the works were not started within the contract duration and the performance guarantee amounting to Kshs.847,774 provided by the contractor expired on 19 November, 2020. Further, even though the contractor was given an extension period of up to 30 April, 2021, physical verification conducted on 10 November, 2021 revealed that the contractor was not on site and the work was not in progress.

In addition, Management did not provide progress reports and the bills of quantities and the tender opening minutes were not initialized by the members as required under Section 78(11)(a) of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, the accuracy and regularity of construction of box culvert expenditure of Kshs.6,177,270 could not be confirmed.

Other Matter

65. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis totalling to Kshs.4,706,654,041 and Kshs.4,845,900,917 respectively, resulting to over funding amounting to Kshs.139,246,876 or 3% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.4,706,654,041 and Kshs.3,153,395,434 respectively, resulting to an underperformance amounting to Kshs.1,553,258,607 or 33% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

66. Late Release of Exchequer

During the year under review, the County Executive received exchequer releases of Kshs.2,818,495,800 out of which disbursements amounting to Kshs.869,425,500 were remitted in the months of June and July, 2021.

In the circumstances, it was not possible to spend the monies as budgeted for and thus a number of planned project activities could not be undertaken affecting delivery of services to the public.

67. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given satisfactory explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury and Planning Circular for the year ended 30 June, 2021.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

68. Non-Compliance with the Law on Supplies to Hospitals

Review of records indicated that the Management gave contracts to three (3) suppliers for supply of foodstuff to Mpeketoni Sub-county Hospital, Faza Sub-county Hospital and Lamu Referral Hospital all totalling to Kshs.9,076,089. However, the Management did not provide evidence on adverticement for a framework agreement through open tender as required by Section 114(1) of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, Management was in breach of the law.

69. Non-Compliance with the One Third of Basic Salary Rule

Review of the payroll revealed cases of officers drawing net salary less than a third of basic salary. This was contrary to the provision of Section C.1(3) of Human Resource Policies and Procedures Manual for the Public Service (2016) which provides that public officers shall not over commit their salaries beyond two-thirds (2/3) of basic salary.

In the circumstances, Management was in breach of the law.

70. Non-Compliance with the Employment Act

Review of payroll data for temporary employees revealed that there were one hundred and ninety-nine (199) casual staff from three (3) sampled departments namely of finance, medical and municipal. The casuals were engaged continuously for more than three (3)

months. This was contrary to Section 37(1)(a) and (b) of Employment Act, 2007 which state that, where a casual employee works for a period or a number of continuous working days which amount in the aggregate to the equivalent of not less than one month, or performs work which cannot reasonably be expected to be completed within a period, or a number of working days amounting in the aggregate to the equivalent of three months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly.

In the circumstances, Management was in breach of the law.

71. Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

The statements of receipts and payments reflects an expenditure of Kshs.1,288,426,590 on compensation of employees representing 37% of the total receipts of Kshs.3,486,406,934. This was contrary to the provisions of Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which limits the County Executive`s expenditure on wages and benefits to not more than 35% of the total revenue for the year.

In the circumstances, Management was in breach of the law.

72. Non-remittance of Retirement Contributions

The financial statements reflect nil balances of pending staff payables. However, Circular Reference no. IGFR/PB/01/J/ (69) from the National Treasury revealed that the County Executive owed various pension schemes amounts totalling to Kshs.34,552,943. The Circular required all County Governments to budget for all pending bills and submit a payment plan and a status report to the Controller of Budget.

It was not clear what measures were put in place by Management in ensuring that the balances are cleared.

In the circumstances, Management was in breach of The National Treasury Circular.

73. Non-Compliance with the Law on the Finance Bill

During the year under review, the County Executive did not have an approved finance bill and policy statement. This was contrary to Section 132(2) of the Public Finance Management Act, 2012 which states that the County Executive Committee Member for Finance shall, on the same date that the revenue raising measures are pronounced, submit to the County Assembly the County Finance Bill, setting out the revenue raising measures for the County Government together with a policy statement expounding on those measures.

In the circumstances, Management was in breach of the law.

74. Digital Revenue System

As reported previously, the Management procured a digital revenue system from three (3) companies at cost of Kshs.54,000,000. In June, 2020 one of the suppliers was paid an amount of Kshs.285,000 as consultancy and maintenance fee. However, Management had reverted to manual collection of revenue from 1 January, 2020. Further, there was no official communication authorizing the use of manual system and there was no clear explanation provided as to why the automated system was terminated. It was also noted that there were no reports generated from the abandoned revenue collection systems.

In the circumstances, value for money in the expenditure of Kshs.54,000,000 incurred in procurement of the revenue collection systems and consultancy and maintenance fee amount of Kshs.285,000 could not be confirmed.

75. Outstanding Imprests

Note 22 to the financial statements reflects outstanding imprests balance of Kshs.535,450 as at 30 June, 2021. However, review of the cash book and other imprest records revealed outstanding imprests of Kshs.534,000, some of which have been outstanding since September, 2020. However, no action has been taken to recover the monies from the defaulters' contrary to Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, Management was in breach of the law.

76. Irregular Concrete Paving of Lamu Island Streets

The Management paid an amount of Kshs.34,040,719 for concrete paving of Lamu Island Streets. Review of records indicated the following anomalies:

i. The Management had advertised for the works on 29 November, 2018 and awarded the contract to a firm at contract sum of Kshs.38,069,437. However, the contract was terminated for lack of commencement on 27 September, 2019 and subsequently awarded the contract within a day to another firm on 27 September, 2019 without a request for a termination of contract from the Procurement Unit. This was contrary to Section 153(1) of the Public Procurement and Asset Disposal Act, 2015.

ii. The performance bond was issued to the contractor on 8 November, 2019 after signing of the contractual agreement on 22 October, 2019. This was contrary to Section 142(1) of the Public Procurement and Asset Disposal Act, 2015.

iii. The Management maintained the originals of the performance security submitted by the contractors in their project files without returning them within 30 days following the final acceptance by the accounting officer of the procuring entity. This was contrary to Section 145 of the Public Procurement and Asset Disposal Act, 2015.

iv. The contract agreement with the second contractor was signed without the presence of a witness.

In the circumstances, Management was in breach of the law.

77. Stalled Projects - Ministry of Health Equalization Fund

Physical verification of projects implemented by the Ministry of Health (National Government) revealed that the Department of Medical Services was earmarked to benefit with grants from the Ministry of Health. However, inspection of various projects revealed that nine (9) projects had stalled or complete but yet to be formally handed over. This is contrary to Section 138 of the Public Finance Management Act, 2012 on conditions for receiving grants and donations by County Government or its entities or third parties which states that if a project that is being financed by a grant or donation from a development partner requires County Government funding, the project may only be started when (a) the required funding has been appropriated in accordance with this Act or is otherwise authorized by legislation; or (b) the County Executive Committee member for finance has given a written authorization for the project to begin.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

78. Lack of Approved Information Communication Technology (ICT) Policy

Review of records revealed that there was no formal approved ICT policy in place which includes data security policy and disaster recovery plans. Further, formally documented and approved processes to manage upgrades made to all financial/performance information systems were not provided for audit.

In the circumstances, effectiveness of the ICT operations could not be confirmed.

79. Lack of Risk Management Policy

During the year under review, the Management operated without a Risk Management Policy Framework contrary to institutional risk management framework through Treasury Circular No.3/2009 of 23 February, 2009 under Public Finance Management Agenda. The Framework provides guidelines on how public entities should develop risk management policy framework with reference to key issues like; risk (event) identification, risk assessment, monitoring and evaluation.
In the circumstances, Management may not safeguard its assets and other resources in case of any risk the County Executive may be exposed to.

80. Summary of Fixed Asset Register

Disclosed under Annex 6 to the financial statements is a summary of fixed assets register with an amount of Kshs.1,924,302,675. However, the Management did not have a

consolidated asset register prepared in a format prescribed by IPSAS 17 whose minimum requirements are: Identification or serial number, acquisition date, description of asset, location, class, cost of acquisition, accumulated depreciation, net book value and assets are tagged with identification codes.

Further, assets acquired during the current financial year were not recorded in the asset register and during the acquisition of the assets, serial numbers of assets like laptops, computers, printers and projectors were not disclosed in the invoices, S11 vouchers, S13 vouchers, delivery notes and stores ledgers. It was therefore difficulty to identify the assets during the physical verification.

In addition, review of the asset's registers revealed that the department of agriculture had earmarked some assets for disposal. During physical verification several vehicles (some of which were serviceable), motor cycles and a boat ambulance were grounded. However, the Management did not have a consolidated annual asset disposal plan detailing how the assets were to be disposed or a plan on how to service the assets.

In the circumstances, proper custody, care, control and use of the assets could not be confirmed.

81. Lack of Functional Internal Audit Department

Review of the operations of the Internal Audit Unit revealed that although the Management had established an Internal Audit Unit, the Unit was headed solely by an Acting Director since May, 2019. It was further noted that the Unit reports both functionally and administratively to the Accounting Officer thus denying it independence. This is contrary to Regulation 155(1) and (2) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Internal Audit Unit to report functionally to the audit committee and also have sufficient authority to promote independence in its operations.

In the circumstances, it was not possible to confirm existence of an effective Internal Audit Unit to oversight Management.

82. Long Outstanding Revenue Arrears

Review of property/land rates revenue records indicated that various property owners had arrears of revenue totalling to Kshs.612,395,579 which was not disclosed in the financial statements. Further, there was no evidence of measures the Management has put in place to recover the arrears.

In the circumstances, existence of an effective debt management system could not be confirmed.

COUNTY EXECUTIVE OF TAITA/TAVETA – NO.6

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

83. Unsupported County Own Generated Receipts

The statement of the receipts and payments reflects County own generated receipts totalling to Kshs.302,005,400 as disclosed in Note 9 to the financial statements. However, the bills issued to customers in relation to the receipts were not provided for audit.

Further, the receipts were recorded through the County Pro-Revenue System in operation from 2016 to 15 January, 2021 after which manual records were used until 19 May, 2021 when the County Executive acquired Local Authority Information Operating Management System (LAIFOMS). However, at the time of the audit in November, 2021, no revenue report had been generated from any of the three systems used during the year under review.

In the circumstances, the accuracy and completeness of the County own generated receipts totalling to Kshs.302,005,400 could not be confirmed.

84. Unsupported Compensation of Employees

The statement of receipts and payments reflects compensation of employees payments totalling Kshs.2,388,287,824. However, payrolls submitted for audit reflected payments totalling to Kshs.2,144,034,512 resulting in an unexplained difference of Kshs.244,253,312 between the two sets of records.

In the circumstances, the accuracy and completeness of the reported expenditure totalling to Kshs.2,388,287,824 could not be confirmed.

85. Unsupported Social Security Benefits

Note 11 and Note 16 to the financial statements reflect Government pension and retirement benefits contributions totalling Kshs.3,200,000 and Kshs.45,348,228 respectively. However, staff payrolls and the Integrated Financial Information System (IFMIS) ledger records reflected pensions and social security deductions totalling Kshs.134,652,349 and Kshs.58,722,069, respectively. The variances between the identical account balances reflected in the financial statements and the staff payrolls and IFMIS ledger were not reconciled.

In the circumstances, the accuracy and completeness of the pensions balance totalling to Kshs.3,200,000 and social security benefits totalling to Kshs.45,348,228 could not be confirmed.

86. Unsupported Construction of Buildings

The statement of receipts and payments and as disclosed in Note 17 to the financial statements reflects expenditure totalling to Kshs.922,866,686 on acquisition of assets.

Included in the expenditure is an amount of Kshs.212,685,671 spent on construction of buildings out of which an amount of Kshs.4,700,000 relates to payments for supply and installation of one thousand (1000) stadium seats.

Review of records indicated that the seats were procured through Request for Quotation Procurement Method. Even though the contract was awarded to the lowest evaluated bidder, the Access to Government Procurement Opportunities (AGPO) certificate submitted by the bidder was registered under a different entity. Further, only five hundred and twenty (520) seats were found at the stadium during physical inspection on 3 November, 2021. Therefore, the remainder seats totalling to 480 valued at Kshs.2,256,000 had not been delivered to the site.

In the circumstances, the completeness and regularity of the expenditure totalling Kshs.4,700,000 incurred on supply, delivery and installation of the stadium seats could not be confirmed.

87. Unsupported Pending Bills

Note 7.10 on other important disclosures and Annex 2 to the financial statements reflect a pending accounts payable balance totalling to Kshs.744,063,441. However, while the Management had not indicated outstanding bills owed to two (2) suppliers, namely, Kenya Medical Supplies Agency (KEMSA) and a media company, as at 30 June, 2021, financial records provided for audit reflected claims for unpaid bills totalling to Kshs.75,434,649 and Kshs.10,279,800 lodged by the two entities respectively.

Further, The National Treasury through a circular dated 28 October, 2021 referred to a report of the Controller of Budget in which the County Executive was reported to have accrued debts totalling Kshs.43,251,087 as at 30, June, 2021 out of which Kshs.15,808,025 was interest levied for delay in remitting pension contributions. However, these debts have not been disclosed in the financial statements for the year under review.

In the circumstances, the accuracy and completeness of the pending accounts payable balance totalling Kshs.744,063,441 could not be confirmed.

Other Matter

88. Unresolved Prior Year Matters

The report for the previous year highlighted several unsatisfactory matters. However, contrary to the reporting format prescribed by the Public Sector Accounting Standards Board, the financial statements for the year under review do not contain a report on the progress made in addressing the matters which, therefore, remain unresolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

89. Untaxed Allowances

Expenditure records indicated that allowances totalling to Kshs.12,844,580 paid to employees were not taxed contrary to Section 37(1) of the Income Tax Act, Cap 470.

In the circumstances, Management was in breach of the law.

90. Non-Compliance with the Law on Fiscal Responsibility – Wage Bill

Review of records indicated that, the wage bill totalling Kshs.2,388,287,824 was equivalent to 40.5% the County Executive's revenue totalling Kshs.5,897,419,548. This was contrary to Regulation 25(1)(b) of Public Finance Management (County Governments) Regulations, 2015 which sets a threshold of 35% for annual expenditure on personnel emoluments, in the year under review.

In the circumtsances, Management was in breach of the law.

91. Delay in Disbursement of Grants

Review of records on grants and transfers indicated that capital transfers totalling Kshs.57,634,394 were made to Vocational Training Centres during the year under review. However, the funds were not disbursed to the Centres until 1 July, 2021. No satisfactory explanation was provided by Management for the delay.

In the circumsances, the capacity of the Centres to deliver their services in an efficient and effective way could not be confirmed.

92. Insufficient Project Records

Project management records indictaed that the County implemented three hundred and three (303) projects in eight (8) departments at a cost of Kshs.738,017,031 in the year under review. Payments totalling to Kshs.291,024,171 had been made in respect to the Projects as at 30 June, 2021. However, the respective project budgets, records on works certified and paid for, site meeting minutes and detailed information on the projects' completion levels were not provided for audit.

In the circumstances, the propriety of the disclosed projects expenditure totalling to Kshs.291,024,171 could not be confirmed.

93. Unsatisfactory Implementation of Projects

Review of the Projects Implementation Status Report as at 30 June, 2021, revealed the following unsatisfactory matters regarding projects implemented by the Department of Education:

i. Nine (9) projects costing Kshs.14,186,389 included in the budget for the year under review were not implemented;

ii. Two (2) projects approved for implementation at an estimated cost of Kshs.7,6753,904 had stalled;

iii. One (1) project costing Kshs.1,580,124 was at 85% level of completion but the works executed did not conform to the specifications in the Bill of Quantities and the architectural drawings.

iv. All the fifty (50) projects in the Department were denoted to have been contracted for completion in 120 days but their inception and expected completion dates were not provided for audit review.

In the circumstances, the value for money for the above projects could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

94. Incomplete Non-current Assets Register

The summary of non-current assets register in Annex 6 to the financial statements reflects assets totalling to Kshs.4,727,762,693 as at 30 June, 2021. However, the register did not disclose the dates the assets were acquired their costs and locations.

In the circumstances, existence of effective internal controls on the non-current assets could not be confirmed.

95. Failure to Review Property Valuation Rolls

Review of revenue records indicated that the County Executive collected plot rent totalling to Kshs.29,664,474 in the year under review. The records further indicated that in Voi Municipality and Taveta Sub-county, Management set the land rates through old land valuation rolls prepared in 2006. Similarly, in Maungu Town and Mwatate and Wundanyi Sub-counties, the land rates were set in Valuation Rolls prepared by the defunct County Council in 2012.

The use of old rolls in the face of increasing property prices may have resulted in the Management not collecting optimal levels of land rates.

In the circumstances, existence of an effective controls on collection of rates could not be confirmed.

COUNTY EXECUTIVE OF GARISSA– NO.7

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

96. County Own Generated Receipts

The statement of receipts and payments reflects County own generated revenue of Kshs.88,411,205. Included in the revenue is an amount of Kshs.3,716,115 collected from slaughter house services and banked in the revenue account. This was collected after the revenue collection from the slaughter house was outsourced by leasing the slaughter house at a monthly rent of Kshs.115,000. However, review of the Finance Bill indicated that the slaughter fees was to be charged per animal. However, Management did not provide records on the amount collected from the slaughter fees.

Further, the Garissa Referral Hospital collects revenue using a Health Point of Sale System which indicated that an amount of Kshs.12,500,531 was collected. However, banking records were not provided for audit.

In addition, review of Integrated Payroll and Personnel Database (IPPD) payroll summaries revealed that an amount of Kshs.2,184,000 was deducted from staff salaries of those occupying County houses. However, the amount deducted was not recognized as revenue and transferred to the County Revenue Fund Account.

In the circumstances, the accuracy and completeness of County own generated revenue amount of Kshs.88,411,205 could not been confirmed.

97. Use of Goods and Services

The statement of receipts and payments reflects use of goods and services expenditure of Kshs.968,067,460 as disclosed in Note 6 to the financial statements. However, the following anomalies were observed:

97.1 Unsupported Domestic Travel and Subsistence Allowances

The expenditure includes an amount of Kshs.135,750,724 inccured on domestic travel and subsistence allowances. However, Management did not provide supporting documents such as activity reports, attendance registers, job group details of officers being paid conferences and meetings' invitation letters and travel documents for expenditure amounting to Kshs.8,537,500.

In the circumstances, the accuracy and completeness of expenditure amounting to Kshs.8,537,500 included in domestic travel and subsistence allowance expenditure could not be confirmed.

97.2 Unsupported Printing, Advertising and Information Supplies and Services

The County Executive incurred an amount of Kshs.11,538,619 on printing, advertising and information supplies and services. However, Management did not provide for audit review supporting documents such as requisition letter from user department, stores records, inspection and acceptance committee report and delivery notes for expenditure amounting to Kshs.7,407,520.

In the circumstances, the accuracy and completeness of expenditure amounting to Kshs.7,407,520 included in printing, advertising and information supplies and services expenditure could not be confirmed.

97.3 Unsupported Rental of Produced Assets

The County Executive incurred an amount of Kshs.72,596,380 on rentals of produced assets. However, Management did not provide for audit local purchase orders, invoices, lease agreements and evidence of services offered in support of Kshs.10,687,325 incurred on rentals of produced assets.

In the circumstances, the accuracy, regularity and completeness of expenditure amounting to Kshs.10,687,325 for rentals of produced assets could not be confirmed.

97.4 Unsupported Hospitality Supplies and Services

The County Executive incurred an amount of Kshs.21,921,898 on hospitality supplies and services. However, an amount of Kshs.11,934,400 was not supported with requisitions and daily attendance work schedule/register and attendance register.

In the circumstances, the regularity and completeness of expenditure amounting to Kshs.11,934,400 on hospitality, supplies and services could not be confirmed.

97.5 Unsupported Specialized Materials and Services

The County Executive incurred an amount of Kshs.255,676,642 on specialized materials and services. However, Management did not provide stores records to support receipt and issuance of drugs, non-pharmaceuticals, lab reagents and chemicals amounting to Kshs.52,553,187 for the respective health facilities.

In the circumstances, the accuracy and completeness of expenditure amounting to Kshs.52,553,187 on specialized materials and services could not be confirmed.

97.6 Unsupported Office General Supplies and Services

The Management incurred an amount of Kshs.35,591,234 on office and general supplies and services, out of which an amount of Kshs.2,800,000 was not supported with requisition letters from user departments, imprest warrants, notification and acceptance letters.

In the circumstances, the accuracy, regularity and completeness of office and general supplies amount of Kshs.2,800,000 could not be confirmed.

97.7 Unsupported Routine Maintenance - Motor Vehicles and Other Equipment

Examination of the expenditure on use of goods and services revealed that an amount of Kshs.9,525,802 was spent on routine maintenance of motor vehicles and other equipment out of which an amount of Kshs.4,302,051 was not supported with pre and post inspection reports, motor vehicle work tickets, motor vehicle log books (GP55) and stores records.

In the circumstances, the accuracy, regularity and completeness of an amount of Kshs.4,302,051 on routine maintenance of motor vehicles could not be confirmed.

97.8 Unsupported Fuel, Oil and Lubricants

The Management incurred an amount of Kshs.18,950,115 on fuel, oil and lubricants. However, work tickets, detail orders and fuel registers to support fuel, oil and lubricants expenditure totalling to Kshs.9,724,616 were not provided for audit.

In the circumstances, the accuracy and completeness of the fuel, oil and lubricants expenditure of Kshs.9,724,616 could not be confirmed.

98. Unsupported Other Grants and Payments

Included in other grants and payments of Kshs.934,348,131 is an amount of Kshs.166,693,822 relating to emergency donations. However, examination of payment records and other documents provided for audit revealed that payments of Kshs.4,700,000 were not supported with purchase orders and counter issue vouchers (S11) reflecting the received bags of enriched porridge distributed to the needy Early Childhood Centres. Further, an expenditure of Kshs.4,061,350 being part of the amount of Kshs.20,573,337 transferred to Agriculture Sector Development Support Program II (ASDSP II) financed by EU and SIDA was not supported with procurement documents and activity plans.

In the circumstances, the accuracy, completeness and regularity of the expenditure of Kshs.8,761,350 on other grants and transfers could not be confirmed.

99. Unsupported Acquisition of Assets

The statement of receipts and payments reflects acquisition of assets expenditure of Kshs.905,574,662. The expenditure includes an amount of Kshs.32,000,000 in relation to purchase of motor vehicles. However, tender documents and other supporting documents such as log books were not provided for audit. Further, stores' records to support an expenditure of Kshs.5,560,000 under purchase of specialized plant, equipment and machinery were not provided for audit.

In the circumstances, the accuracy, ownership and propriety of the expenditure of Kshs.37,560,000 included in acquisition of assets could not be confirmed.

100. Unsupported Pending Bills

Annex 2 to the financial statements reflects pending bills amount of Kshs.1,566,257,290. However, creditors' ledgers were not provided for audit to support the amounts paid in the year totalling Kshs.506, 951,095 out of the opening balance of Kshs.887,868,191 reported in the financial year ended 30 June, 2020.

In the circumstances, the accuracy and completeness of the pending bills amounts of Kshs.1,566,257,290 could not be confirmed.

Other Matter

101. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.10,176,759,490 and Kshs.9,222,805,712 respectively resulting to underfunding of Kshs.953,953,778 or 9% of the budget. Similarly, the County Executive spent an amount of Kshs.8,448,422,924 against an approved budget of Kshs.10,176,759,490 resulting to an under-expenditure of Kshs.1,728,336,566 or 17% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

102. Late Exchequer Releases

The statement of receipts and payments reflects exchequer receipts totalling to Kshs.8,912,062,270 which includes a total of Kshs.2,430,771,055 being funds received within the months of June and July, 2021, out of which an amount of Kshs.953,886,314 was received after the year end of 30 June, 2021.

Due to late remittances by The National Treasury, the County Executive may not have undertaken the planned and budgeted programmes and activities.

103. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular AG.4/16/2 Vol.3 (72) dated 30 June, 2021.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

104. Irregular Locum Allowances

The County Executive paid allowances amounting to Kshs.66,998,142 to clinical officers, nurses, lab technicians and other heath sector workers engaged as locum. However,

review of records revealed that the payments were not subjected to Pay As You Earn (PAYE) deductions. This was contrary to Section 3(1) of the Income Tax Act Cap, 470. Further, Management did not provide for audit verification evidence of request from the Health Department, the terms of engagement and approvals from the County Public Service Board for engagement of the locum staff.

In the circumstances, Management was in breach of the law.

105. Irregular Acting Allowances

Review of the Integrated Personnel and Payroll Database (IPPD) payroll revealed that twelve (12) employees were paid acting allowances amounting to Kshs.1,012,335 during the year under review. However, five (5) employees were in an acting capacity for a period exceeding six (6) months and earning acting allowance of Kshs.376,056. This was contrary to Section 3.8.7 of Garissa County Human Resource Policy, 2018.

In the circumstances, Management was in breach of the Human Resources Policy.

106. Non-Compliance with the Law on Retirement Age

Review of the payroll data revealed that seventy-one (71) employees were past the mandatory retirement age of sixty (60) years for normal retirement and sixty-five (65) years for persons with disabilities. However, Management did not provide personal files for the employees for audit verification and no explanation was provided for retaining them in service.

In the circumstances, Management was in breach of the law.

107. Non-Compliance with the Law on Staff Ethnic Composition

The County Executive had three thousand six hundred and thirty-one (3,631) employees as per the Integrated Personnel and Payroll Database (IPPD) provided for audit. Review of the IPPD data indicated that employees from the dominant ethnic community were two thousand four hundred and seventy-two (2,472) representing 68%. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, “all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community”.

In the circumstances, Management was in breach of the law.

108. Non-Compliance with the Law on Fiscal Responsibility – Wage Bill

The County Executive incurred an expenditure of Kshs.4,697,164,427 as compensation of employees. This was 46% of the total revenue budget of Kshs.10,176,759,490 and thus exceeded the recommended ratio of 35%. This was contrary to Regulation 25(1)(b) of Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, Management was in breach of the law.

109. Non-Compliance with the One Third of the Basic Salary Rule

Review of the payrolls revealed that 116 employees in different months received net salaries of less than a third of the basic salary contrary to the provisions Section 19(3) of Employment Act, 2007.

In the circumstances, Management was in breach of the law.

110. Late Statutory Payments of Statutory Dues

Analysis of payrolls and bank payment details provided for audit revealed that PAYE and NHIF deductions of Kshs.529,650,755 and Kshs.54,620,200 respectively for employees both in Integrated Personnel and Payroll Database (IPPD) and in manual payrolls were not remitted on time to the Authority/Fund contrary to rule 10(1) of Income Tax (P.A.Y.E) and Section 18(1) of the National Health Insurance Fund (NHIF) 2012.

In the circumstances, Management was in breach of the law.

111. Irregular Engagement of Casual Workers

The Management engaged two hundred and fifty-six (256) casual workers across several departments for more than three (3) continuous months. This was contrary to Section 37, of the o Employment Act, 2007 which states that, where a casual employee works for a period or a number of continuous working days which amount in the aggregate to the equivalent of not less than one month; or performs work which cannot reasonably be expected to be completed within a period, or a number of working days amounting in the aggregate to the equivalent of three months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly.

In the circumstances, Management was in breach of the law.

112. Unremitted House Rent

During the year under review, Management deducted house rent totalling to Kshs.1,388,700 from the salaries of County Executive employees who are tenants of the houses owned by the State Department for Housing and Urban Development which had not been remitted by the time of the audit in November, 2021. This was contrary to Regulation 66(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that when a County Government entity renders agency services to another County Government entity or national Government entity, all revenue receipts collected shall be accounted for fully by the agent to the receiver of revenue or collector of revenue or accounting officer.

In the circumstances, Management was in breach of the law.

113. Kenya Urban Support Program Expenditure

The statement of receipts and payments as disclosed in Note 8 to the financial statements reflects other grants and payments of Kshs.934,348,131. The expenditure includes an amount of Kshs.627,684,202 in respect of other capital grants and transfers which in turn includes an amount of Kshs.200,920,380 for Kenya Urban Support Programme (KUSP) being Urban Institutional Grant of Kshs.9,227,699 and Urban Development Grant of Kshs.191,692,681. However, review of the expenditures and the supporting documents revealed the following anomalies:

113.1 Irregular Expenditure on Urban Institutional Grant

Management procured goods totalling to Kshs.1,890,000 as low value items although the value of the goods and services was more than the maximum value of Kshs.30,000 prescribed by Section 107 of the Public Procurement and Asset Disposal Act, 2015. Further, a benchmarking trip by fire department officers to Kiambu County resulted in an expenditure of Kshs.1,004,500 which was not supported with the correspondence between Garissa County and Kiambu County regarding the benchmarking trip.

In the circumstances, Management was in breach of the law.

113.2 Unverified Project Vehicle

A contract was awarded for upgrading to Bitumen Standard of Waberi - Iftin access road at a contract sum of Kshs.82,424,588 and was to be completed in six (6) months starting 1 October, 2020.The project was certified complete on 1 March, 2021 after payments of Kshs.62,532,087 being certified works during the year under review. Physical verification conducted in October, 2021 confirmed that the road was complete. However, included in the expenditure is a project vehicle paid for at a cost of Kshs.3,150,000 still registered under the contractor's name and which was not provided for physical verification.

In the circumstance, the ownership and existence of the motor vehicle costing Kshs.3,150,000 could not be confirmed.

113.3 Delayed Construction of Road

A contract was awarded for upgrading to Bitumen Standard of Galbet Township access road at a contract sum of Kshs.81,825,853 to be completed in six (6) months starting 1 October, 2020 under the Kenya Urban Support Programme. However, the project was behind schedule as it ought to have been completed by 15 June, 2021. There was no evidence of approval of the extension of the contract period. This was contrary to Section 139 (2) of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, Management was in breach of law and value for money for the project could not be confirmed.

113.4 Delayed Construction of Qorahey Market

The Management incurred a total of Kshs.50,478,390 for the construction of Qorahey market, through a contract which was awarded on 20 September, 2019 at a sum of

Kshs.67,746,378. Physical verification conducted on 6 October, 2021 revealed that the work was in progress with sub-structures walling, roofing and plastering done. However, the project was behind schedule as it ought to have been completed by 15 June, 2021. There was no evidence of approval of the extension of contract period contrary to Section 139 (2) of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, Management was in breach of law and value for money for the project could not be confirmed.

114. Uncredited Donor Counterpart Funding

During the year under review, Management failed to contribute an amount of Kshs.5,500,000 to the Agriculture Sector Development Supporting Programme II as per the Memorandum of Understanding between Government of Kenya and Government of Sweden as counterpart funding for the project. Further, as previously reported, an amount of Kshs.5,500,000 was yet to be submitted to the programme for 2019/2020 financial year.

In addition, the project was yet to receive an amount of Kshs.11,000,000 from the County Executive contrary to Section 5.1.2 of the Agriculture Sector Development Supporting Programme II Finance and Procurement Manual.

In the circumstances, the project may be adversely affected and effective provision of services to the public could not be confirmed.

115. Incomplete Routine Maintenance of Other Assets

The statement of receipts and payments and as disclosed in Note 6 to the financial statements reflects routine maintenance of other assets amount of Kshs.307,604,345. Review of records revealed that Management contracted works for proposed routine maintenance of Dagahley-Madahgesi Road at a contract sum of Kshs.29,436,160. However, gravelling of ten (10) Kilometers was not done contrary to the project progress report and engineer's completion certificate that the gravelling was done according to specifications. Even, though the contractor had been paid an amount of Kshs.10,000,000 after requesting for full contract amount, the gravelling of the 10 Kilometres had not been done and the contractor was not on site at the time of inspection, six (6) months past the expected completion date.

In the circumstances, value for money on expenditure of Kshs.29,436,160 for routine maintenance of Dadahley-Madahgesi road could not be confirmed.

116. Rehabilitation and Civil Works

The statement of receipts and payements reflects acquisition of assets amount of Kshs.905,574,662. The expenditure includes rehabilitation of civil works amount of Kshs.22,595,266. However, payments amounting to Kshs.15,197,500 had anomalies as detailed below:

116.1 Stalled Nuno Borehole

The Management awarded a contract for drilling and equipping of Nuno borehole on 5 March, 2021 at a contract sum of Kshs.8,125,800. Physical verification conducted on 21 October, 2021 revealed that drilling of the borehole and installation of well head was done. However, equipping of the borehole had not been done. Further, post drilling and hydrogeological survey reports were not provided for audit. Although the contractor had been paid an amount of Kshs.1,000,000, the remainder of the works had stalled and the contractor was not on site at the time of inspection, five (5) months past the expected completion date of May, 2021.

In the circumstances, value for money for drilling and equipping of the bore hole at a cost of Kshs.8,125,800 could not be confirmed.

116.2 Un-labelled Projects

The Management awarded a contract for rehabilitation of Abdi Sugow Borehole on 11 June, 2020. However, there was no evidence that a professional opinion was prepared as required by Section 84 of the Public Procurement and Asset Disposal Act, 2015. A payment of Kshs.3,130,086 was made on 20 August, 2020 to the contractor out of the contract sum of Kshs.3,570,000 with the project having been certified as complete. However, physical verification conducted on 22 October, 2021 revealed that the project was not labelled.

Further, Management awarded a contract for desilting Shidle Water Pan at a contract sum of Kshs.6,780,000 which was paid during the year under. Although the project was certified as complete on 22 July, 2020, physical verifications conducted on 21 October, 2021 revealed that the project was not labelled as having been done by the County Executive.

In the circumstances, the ownership of the projects could not be confirmed.

116.3 Stalled Rehabilitation of Warable Water Supply Project

The Management awarded a tender for rehabilitation of Warable Water Supply at a contract sum of Kshs.11,150,000 on 14 May, 2019 and the contractor was paid Kshs.4,287,414 during the year under review for the works done. However, the project has since stalled and the contractor was not on site at the time of physical verification in 21 October, 2021. It was noted that the project was behind schedule as five (5) months had elapsed past the expected completion date of 3 June, 2021 and yet some works which included piping, construction of standard pump house, construction of two number water kiosks and solar system had not been completed.

In the circumstances, value for money may not have been realised on the rehabilitation and civil works amounting to Kshs.4,287,414.

116.4 Stalled Projects

Included in the acquisition of assets amount of Kshs.905,574,662 is a total of Kshs.487,501,722 in respect to payables from previous financial years. The expenditure included payments of Kshs.92,321,604 for six (6) projects with a contract sum of Kshs.766,924,374. However, physical verification of the projects done in October, 2021 revealed that the projects had stalled after the contractors abandoned the project sites before undertaking internal finishes.

In the circumstances, value for money on the expenditure of Kshs.92,321,604 could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

117. Lack of Updated Fixed Assets Register

The fixed assets register provided for audit did not include assets inherited from the defunct local authorities. The assets register did not also include details of each parcel of land and building, including the terms on which it was held, the conveyance, location, dates and costs of acquisition. This was contrary to Regulation 136(2) of the Public Finance Management (County Governments) Regulations, 2015. Further, specific details of assets acquired by the County Executive since inception were not included in the fixed assets register. In addition, the policies and procedures on management of assets were not provided for audit.

In the circumstances, Management may not have instituted adequate measures to ensure proper safeguards and custody of the assets.

118. Lack of Internal Controls on Cash and Bank Management

The County Treasury prepared its bank reconciliation statements manually instead of using Integrated Financial Management Information System (IFMIS). Further, Management did not submit the bank reconciliation statements to the Office of the Auditor-General as required by Regulation 90 of Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, existence of effective measures on cash and bank management could not be confirmed

119. Lack of Audit Reviews by Internal Audit Department

Review of the operations of the Internal Audit Department revealed that the Management has established an Internal Audit Department with eight (8) officers to oversee governance mechanisms and promote transparency and accountability in the

management of resources of the County. However, the Internal Audit Department did not carry out any audit reviews during the year under review.

In the circumstances, effectiveness of the internal control systems could not be confirmed.

120. Weaknesses in Information Communication Technology (ICT) Environment and Data Security Controls

As previously reported, Management did not have an approved ICT Policy in place which includes data security policy and disaster recovery plans. In addition, formally documented and approved processes to manage upgrades made to all information systems were not provided for audit.

In the circumstances, the County Executive may be exposed to loss of crucial data and information in case of a disaster.

121. Failure to Maintain Approved Staff Establishment

Management did not maintain an approved staff establishment indicating the optimal number of staff for each category, the current number in the post and the variance.

In the circumstances, it was not possible to ascertain whether the County Executive operated with an optimal number of staff.

122. Use of Manual Payroll in Compensation of Employees

During the year under review, the County Executive incurred an expenditure of Kshs.4,697,164,427 in respect to compensation of employees which in turn includes an amount of Kshs.473,334,317 paid to five hundred and thirty-three (533) employees through the manual payroll. The use of manual payroll requires manual input of data and calculation of deductions which is prone to error and manipulation.

In the circumstances, it was not possible to confirm whether internal controls for payroll were operating in an effective way.

COUNTY EXECUTIVE OF WAJIR– NO.8

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

123. Unsupported Use of Goods and Services

The statement of receipts and payments reflects use of goods and services amount of Kshs.1,322,219,595. The expenditure includes payments amounting to Kshs.10,210,000 for goods and services delivered in the prior financial years. However, the amount was not reported as pending bills in the financial statements for the 2019/2020 financial year.

Further, the expenditure includes an amount of Kshs.46,801,111 spent on fuel, oil and lubricants, security and maintenance which were not supported with the relevant documents like motor-vehicle logbooks (GP55) and register of repairs.

In the circumstances, the accuracy and completeness of use of goods and services expenditure of Kshs.57,011,111 could not be confirmed.

124. Unsupported Capital Grants and Transfers

As disclosed in Note 8 to the financial statements, the statement of receipts and payments reflects transfers to other Government units of Kshs.2,559,499,704 which includes an amount of Kshs.1,251,196,526 in respect of other capital grants and transfers. However, the following anomalies were noted:

i) An amount of Kshs.14,074,887 disclosed as transfers to Wajir County Village Polytechnics was not supported with expenditure returns such as requisition, tender documents, bills of quantities, delivery notes and invoices for the expenditures incurred against the grants.

ii) An amount of Kshs.244,640,454 was disclosed as transfers to Wajir County Kenya Climate Smart Agriculture (KCSAP) Account. However, an amount of Kshs.40,228,959 was not supported with expenditure returns such as monitoring and evaluation reports for micro-funded projects, while fuel consumption was not supported by a fuel register and detail orders. Further, the vaccines and other veterinary drugs procured were not supported with key procurement documents such as S13.

iii) An amount of Kshs.75,000,000 was disclosed as transfers to Wajir County Climate Change Adaptation Fund. However, a payment amounting to Kshs.59,123,782 was paid from the Fund account in respect of expenditure relating to financial years 2018/2019 and 2019/2020 which were not disclosed as pending bills in the financial statements for the financial year 2019/2020.

In the circumstances, the accuracy and completeness of other capital grants and transfers amounting to Kshs.1,251,196,526 could not be confirmed.

125. Unsupported Acquisition of Assets

As disclosed in Note 11 to the financial statements, the statement of receipts and payments reflects acquisition of assets totalling to Kshs.1,823,378,974 which includes an amount of Kshs.50,931,723 on overhaul and refurbishment of construction and civil works, which further includes an expenditure of Kshs.21,068,824 in respect of projects that were indicated to have been initiated and procured during the financial year 2018/2019. However, the amount was not disclosed in the schedule of pending bills in the 2019/2020 financial statements.

In the circumstances, the accuracy and completeness of payments amounting to Kshs.21,068,824 in respect of overhaul and refurbishment of construction and civil works could not be confirmed.

Other Matter

126. Budgetary Control and Performnace

The summary statement of appropriation - recurrent and development combined reflects final County own generated receipts budget and actual on comparable basis of Kshs.150,000,000 and Kshs.66,264,717 respectively, resulting to under collection of receipts of Kshs.83,735,283 or 56% of the budget. Similarly, Management spent an amount of Kshs.875,510,410 against an approved budget of Kshs.990,249,281 resulting to an under-expenditure of Kshs.114,738,871 or 13% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

127. Late Exchequer Receipts

The statement of receipts and payments reflects total receipts of Kshs.10,638,794,887. It was however noted that exchequer receipts amounting to Kshs.3,186,224,992 representing 30% of the total receipts was received in June and July, 2021.

Due to the late remittances by The National Treasury, the County Executive may not undertake the planned and budgeted programmes in time thereby negatively impacting on service delivery to the public.

128. Pending Bills

Annex 2 to the financial statements reflects pending bills balance of Kshs.1,800,185,062 as at 30 June, 2021. However, verification of the bills revealed that an amount of Kshs.1,014,314,197 has been outstanding for over three (3) years. No justifiable explanation was provided for the failure to settle the pending bills as first charge during the 2020/2021 financial year.

129. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, as indicated in the financial statements under progress on follow up on prior year auditor's recommendations, some of the issues are indicated as resolved without supporting documents on how they have been resolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

130. Unapproved Collection of Revenue

As disclosed in Note 4 to the financial statements, the statement of receipts and payments reflects County own generated receipts of Kshs.66,264,717. However, it was noted that the County Finance Bill, 2021 submitted to the County Assembly setting out the revenue raising measures for the County Executive for the 2020/2021 was not approved by the County Assembly contrary to Section 133 of the Public Finance Management Act, 2012.

In the circumstances, Management was in breach of the law.

131. Compensation of Employees

131.1 Payment of Special House Allowance

As disclosed in Note 6 to the financial statements, the statement of receipts and payments reflects compensation of employees' payments of Kshs.3,697,946,339 which includes an amount of Kshs.17,342,400 paid to three hundred and fifty-three (353) employees as special house allowance in addition to the normal house allowance. This is contrary to the Salaries and Remuneration Commission Circular Ref. No.SRC/ADM/1/13 Vol. III(126) of 10 December, 2014 which provides rates of house allowances payable to public officers.

131.2 Non-Compliance with the Law on the One Third of Basic Salary Rule

Review of the County Executive payrolls for the year revealed that twenty-nine (29) employees were receiving net salaries that were less than a third of their respective basic salaries. This was contrary to Section 19(3) of the Employment Act, 2007.

131.3 Irregular Engagement of Employees on Interim Basis

During the financial year under review, Management engaged some employees on interim positions which do not exist in public service. Review of their appointments further revealed the following anomalies:

i. There was no documentary evidence to confirm that the positions were competitively filled by the County Public Service Board as required.

ii. Some of the staff appointed to the interim positions were designated at job groups such as H, K, L and N which would ordinarily be job groups for appointments on contract or permanent basis.

iii. Salaries paid to officers appointed on interim positions were not based on salary structure grading issued by the Salaries and Remuneration Commission.

iv. Sixteen (16) employees whose contracts had expired in the years, 2013, 2014 and 2015 were still in the payroll.

v. Three hundred and one (301) casual workers had their Kenya Revenue Tax PIN and NSSF numbers either not captured or incorrectly captured in the manual payroll.

vi. Six (6) casual employees shared Kenya Revenue Personal Identification Numbers.

vii. A total of one hundred and sixty-three (163) casuals were not attached to any specific work station as per the manual payroll.

viii. The casual employees were engaged to carry out various duties including, cleaning, security services and revenue collection similar to those assigned to employees engaged on permanent terms.

ix. Verification of tasks performed by the casual employees revealed that most of them work for an average of two (2) hours in a day. It was also observed that some departments did not maintain muster rolls and a number of casuals were not present by the time of audit verification.

x. Five hundred and nine (509) casual workers were engaged for more than three (3) continuous months.

131.4 Anomalies in Recruitment of Employees

During the year under review, the County Public Service Board recruited Community Health Assistants, Nutrition Officers, Nutrition and Dietetics Technologist, Enrolled Nurses, Registered Nurse, Senior Security Liaison, Principal Security Officer and Senior Superintendent Engineer. However, review of officers' personal files and recruitment process revealed the following anomalies:

i. The County Human Resource Manual, 2013 requires that a candidate applying for employment must complete the prescribed application form detailing personal details, employment history, qualifications, and medical record. However, application forms filled by applicants were not provided for audit .

ii. Some of the officers were recruited at job group N which ordinarily requires holders to have undergraduate qualifications. However, the personal files of some of the officers did not have evidence of undergraduate qualifications.

131.5 Engagement of Excess Employees

Review of June, 2021 payroll indicated that the County Executive had a total of 3,219 permanent employees. Analysis of employees in some categories revealed that the Management either engaged excess number of employees as detailed below:

(i) Directors of Administration

The County Executive had a total of forty-six (46) directors of administration in addition to other Technical Directors in the respective departments. Some departments had six (6) Directors of Administration.

(ii) Drivers

According to the list of motor vehicles provided for audit verification, the County Executive has a total of one hundred and twenty-nine (129) motor vehicles out of which twenty-eight (28) are grounded leaving one hundred and one (101) in good working condition. According to the payrolls, the County Executive has a total of one hundred and eighty-three (183) permanent and thirteen (13) casual drivers. This implies that at any one particular time ninety-five (95) drivers are idle.

(iii) Medical Doctors

According to records examined during the audit, the County Executive has a total of sixty (60) medical doctors. It was however noted that twenty-three (23) doctors were on study leave while two (2) were on unpaid leave representing 41.6% of total doctors. No proper explanation was provided for allowing such a big number of doctors to proceed on study leave at the expense of service delivery.

131.6 Staff Paid Basic Salary Outside the Approved Rates

Review of records revealed that one hundred and forty-three (143) staff members in various job groups were paid basic salary which was below the minimum limit set by Salaries and Remuneration Commission resulting to an underpayment of Kshs.2,167,080. Further there was one employee in job group J whose basic salary was above the maximum limit set for the job group by Salaries and Remuneration Commission resulting to an overpayment of Kshs.220,440.

131.7 Irregular Payment of Salaries to Staff of a Company

Included in compensation of employees' payments is an amount of Kshs.202,946,241 paid as salaries to employees of the Wajir Water and Sewerage Company which is a distinct legal entity that is supposed to prepare its own financial statements in accordance with the Public Sector Accounting Standards Boards requirements.

131.8 Non-remittance of Statutory Deductions

During the year under review, Management made deductions from employees' salaries amounting to Kshs.1,348,763,854 as Pay As You Earn, National Social Security Insurance, National Hospital Insurance Fund, loans and pension deductions. Out of these deductions, Management remitted a total of Kshs.1,009,913,164 to the respective organizations leaving a balance of Kshs.338,850,690 unremitted as at 30 June, 2021. In addition, the unremitted amount was not disclosed in the financial statements as pending bills.

Further, the County Executive did not remit outstanding pension dues to various retirement benefits schemes totalling to Kshs.437,781,758 as analysed below:

Scheme	Amount (Kshs.)
LAPTRUST	175,930,287
LAPFUND	13,452,989
CPF	246,276,850
LAPTRUST – Actuarial	2,121,632
Total	**437,781,758**

131.9 Unremitted House Rent

During the year under review, Management deducted house rents totalling to Kshs.811,600 from the salaries of employees who are tenants of the houses owned by the State Department for Housing and Urban Development. The deducted amounts remained unremitted at the time of the audit in November, 2021. This was contrary to Regulation 66(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that when a County Government Entity renders agency services to another County Government Entity or National Government Entity, all revenue collected shall be accounted for fully by the agent to the receiver of revenue or collector of revenue or Accounting Officer.

131.10 Non-Compliance with the Law on Staff Ethnic Composition

Review of June, 2021 payroll indicated that the County Executive had a total of three thousand, two hundred and eight (3,208) employees. However, analysis of the employees' data revealed that 87.1% of the employees were from the same ethnic community. This is contrary to requirements of Section 65(e) of the County Governments Act, 2012 which emphasizes the need to ensure that at least thirty percent (30%) of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County.

In the circumstances, Management was in breach of the law.

132. Non-Compliance with Budget Procedures

Review of the budget process revealed that Management did not prepare County Budget Review and Outlook Paper for 2020/2021 financial year as required by Section 118 of Public Finance Management Act, 2012. It was further observed that the County Executive did not publish the County Fiscal Strategy Paper, the County Budget Review and Outlook Paper and the County Annual Development Plan as required by Sections 117(8), 118(4)(b) and 126(4) of the Public Finance Management Act, 2012.

In the circumstances, Management was in breach of the law.

133. Implementation of Projects

133.1 Other Grants and Payments - Emergency Relief

As disclosed in Note 9 to the financial statements, the statement of receipts and payments reflects other grants and transfers of Kshs.439,906,521 which includes an amount of Kshs.297,982,390 spent on purchase of emergency medical supplies, relief food, non-food items and water trucking services. However, review of records revealed the following anomalies:

(i) Records for expenditure amounting to Kshs.183,646,000 were not provided for audit. Management explained that the records in respect of the expenditure had been taken by an investigating agency. However, there was no evidence provided to support the explanation.

(ii) Contracts worth Kshs.1,970,000 were executed without evidence of contract agreements or local purchase orders issued to suppliers.

(iii) Contracts worth Kshs.29,942,200 were irregularly awarded to suppliers who did not meet the mandatory compliance requirements such as valid business licenses and tax compliance certificates contrary to Section 79(1) of the Public Procurement and Asset Disposal Act, 2015.

(iv) Contracts worth Kshs.33,001,500 were not supported by signed Professional Opinion of the Head of Procurement Unit. This was contrary to Section 84 of the Public Procurement and Asset Disposal Act, 2015. The County Executive awarded contracts worth Kshs.10,188,690 to suppliers and contractors who were not prequalified under the respective categories of goods and works supplied, contrary to Section 106(2)(a) of Public Procurement and Asset Disposal Act, 2015.

(v) Contract agreements for contracts worth Kshs.51,237,990 were signed between the Accounting Officer and the contractors before lapse of the mandatory fourteen (14) days from the date of tender award notification. This was in contravention of Section 135(3) of the Public Procurement and Asset Disposal Act, 2015.

(vi) Notification letters of regrets for contracts worth Kshs.66,817,390 were not sent to unsuccessful bidders' contrary to the requirement of Section 87(3) and 126(4) of Public Procurement and Asset Disposal Act, 2015.

(vii) There was no evidence of how supplies amounting to Kshs.5,400,000 were received in the stores and issued out to the user departments.

(viii) An amount of Kshs.9,992,500 was paid to a supplier in respect of supply of emergency food and non-food items to Orahey fire victims. However, there was no documentation for distribution of the relief commodities to beneficiaries and the basis of selection of beneficiaries. In addition, the expenditure was not included in the pending bills disclosed in the financial statements for 2019/2020 financial year.

(ix) It was also observed that contracts worth Kshs.9,044,700 were evaluated by the same officers who opened the quotations contrary to the requirement of Section 78(1)(b) of the Public Procurement and Asset Disposal Act, 2015 which requires at least one of the members involved in the tender opening not to be involved in the tender processing or evaluation.

(x) The Management awarded contracts worth Kshs.10,188,690 to suppliers and contractors who were not prequalified under the respective categories of goods and works. This is in contravention of Section 93(1) and (2) of Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer of a procuring entity where applicable, may conduct a pre-qualification procedure as a basic procedure prior to adopting an alternative procurement method other than open tender for the purpose of identifying the best few qualified firms for the subject procurement

In the circumstances, Management was in breach of the law.

133.2 Proposed Construction of Frontier Road to Bitumen Standards

As disclosed in Note 8 to the financial statements, the statement of receipts and payments reflects transfers to other Government entities payments of Kshs.2,559,499,704 which includes other capital and transfers of Kshs.1,251,196,526 out of which an amount of Kshs.136,381,449 is in respect of transfers to Wajir Municipality under Urban Support Programmed and Urban Institutional Grants. Review of the bank statements of the Municipality Urban Development Grant revealed that an amount of Kshs.66,381,449 received on 21 July, 2021 was not disclosed in the financial statements as part of other capital grants and transfers.

In addition, an amount of Kshs.98,008,422 was paid to a contractor for construction of 1.5 Km frontier road to bitumen standards. However, review of the payment records and other tender documents revealed the following anomalies:

(i) The interim payments were not supported with certificates of inspection and acceptance to confirm satisfactory partial completion of works to an acceptable standard contrary to the requirement of Section 48(3)(c) of Public Procurement and Asset Disposal Act, 2015.

(ii) There was no evidence that due diligence was conducted on the winning bidder as required by Section 83(1) Public Procurement and Asset Disposal Act, 2015 and National Treasury Circular No.3 of 18 September, 2017.

(iii) In addition, there was no evidence that retention money was deducted from the contractor's payments as required.

(iv) There was no documented evidence to confirm that the utilization of provisional sum amounting to Kshs.5,700,000 was requested and approved by tender evaluation committee as required by Section 139(2) of Public Procurement and Asset Disposal Act, 2015.

(v) Physical verification carried on 25 November, 2021 revealed that environmental bill board, awareness bill board, AIDS bill board and Ac rumble strips all costing Kshs.580,000, and other road furniture costing Kshs.5,809,000 were not done though they were factored in the Bill of Quantities and were paid for.

In the circumstances, it was not possible to confirm that value for money on the expenditure of Kshs.98,008,422 incurred in the construction of the road was realized.

133.3 Construction and Civil Works

As disclosed in Note 11 to the financial statements, the statement of receipts and payments reflects acquisition of assets payments of Kshs.1,823,378,974 which includes an amount of Kshs.1,075,399,636 incurred on construction and civil works out of which an amount of Kshs.585,124,981 was spent on construction of dispensaries, mega water pan, water works, desilting of water pans, drilling of boreholes and other works related activities. Scrutiny of tender documents for the two projects revealed the following anomalies:

(i) Payment vouchers and tender documents for the expenditure amounting to Kshs.180,738,289 were not provided for audit. Management indicated that the documents had been taken by an investigative agency. However, there was no evidence to support the explanation.

(ii) Contracts costing Kshs.49,422,862 were irregularly awarded to suppliers who did not satisfy the mandatory compliance requirements such as valid business licenses and tax compliance certificates. This was contrary to Section 79(1) of the Public Procurement and Asset Disposal Act, 2015.

(iii) Contracts costing Kshs.8,177,394 were not supported by signed Professional Opinion of the Head of Procurement Unit contrary to the requirement of Section 84 of the Public Procurement and Asset Disposal Act, 2015.

(iv) Contracts costing Kshs.103,287,354 were signed between the accounting officers and the contractors before lapse of the mandatory fourteen (14) days from the date of tender award notification. This was contrary to Section 135(3) of the Public Procurement and Asset Disposal Act, 2015.

(v) Contracts costing Kshs.73,669,997 were not supported with certificates of completion of work, inspection report and appointment letters of inspection and acceptance committee members from the Accounting Officer.

(vi) A total of Kshs.201,117,818 was paid for activities that were undertaken in the previous financial years. However, the amount was not included in the pending bills for the financial year 2019/2020.

(vii) The County Executive procured projects costing of Kshs.25,570,234 through request for quotations. The tender documents such as quotations and Local Service Orders were all raised the same day for the projects in the same site, an indication that the tenders were split. This was contrary to Section 54(1) of the Public Procurement and Asset Disposal Act, 2015.

Further, included in construction and civil works is an expenditure of Kshs.82,741,800 on construction of two mega water pans. Review of records revealed the following anomalies:

(i) The contractors did not provide a performance bond equivalent to 5% of the contract sum from a reputable financial institution approved by Public Procurement and Oversight Authority in favour of the County Executive before commencing work as stipulated in the form of tender. This is contrary to Section 142(1) of Public Procurement and Asset Disposal Act, 2015, which requires successful bidders to execute performance security if required by conditions of contract.

(ii) Review of payment details of the two water pans indicated that payments were made without deducting 5% retention money to cushion the County Executive against any liability arising from poor workmanship which could be exhibited during the defect's liability period of six (6) months after completion of the projects.

In the circumstances, the value for money and propriety of expenditure of Kshs.1,075,399,636 incurred on construction and civil works could not be confirmed.

133.4 Irregularities in Road Maintenance Levy Fund (RMLF)

As disclosed in Note 8 to the financial statements, the statement of receipts and payments reflects transfers to other Government units amounting to Kshs.2,559,499,704 which included an amount of Kshs.1,246,714,392 in respect of other capital grants and transfers out of which an amount of Kshs.213,187,306 was transferred to Road Maintenance Levy Fund and spent on construction of drifts, gravelling and grading of access roads within the County. However, the following anomalies were noted: -

(i) The County Executive submitted the revised roads work plan for 2020/2021 financial year to Kenya Roads Board on 2 August, 2021. However, at the time of submission, the department of roads had already implemented and paid for projects costing

Kshs.137,962,680 that were not in the approved annual road work plan for 2019/2020 and 2020/2021 financial years.

(ii) The County Executive awarded contracts worth Kshs.12,270,480 to contractors who were not prequalified under the respective categories of road works supplied.

(iii) Contracts worth Kshs.93,416,620 were signed between the Accounting Officer and the contractors before lapse of the mandatory fourteen (14) days from the date of tender award notification. This was in contravention of Section 135(3) of the Public Procurement and Asset Disposal Act, 2015.

(iv) Notification letters of regrets for contracts worth Kshs.7,787,312 were not sent to unsuccessful bidders contrary to Section 87(3) and 126(4) of Public Procurement and Asset Disposal Act, 2015.

(v) Further, examination of payment vouchers, tender minutes and other records relating to various projects revealed the County Executive paid an amount of Kshs.107,025,685 in respect of projects that were initiated and procured during the financial year 2019/2020. However, the pending bills were not disclosed in the 2019/2020 financial statement.

In the circumstances, Management was in breach of the law.

133.5 Irregular Transfers to Wajir Water and Sewerage Company

As disclosed in Note 8 to the financial statements, the statement of receipts and payments reflects transfers to other Government units of Kshs.2,559,499,704 which includes an amount of Kshs.1,246,714,392 in respect of other capital grants and transfers out of which a total of Kshs.307,214,524 was transferred to Wajir County Water and Sanitation Development Project. However, the following anomalies were noted:

(i) An amount of Kshs.35,375,000 was paid to a supplier for delivery and installation of 20 generators. However, review of tendering process revealed that the bid documents were opened on 4 March, 2019 and evaluated on 6 August, 2020, almost 18 months after opening. The documents were evaluated after expiry of tender validity period of 120 days contrary to provisions of Section 135(3) of the Public Procurement and Asset Disposal Act, 2015.

(ii) Contracts worth Kshs.88,336,300 were not supported by Professional Opinion from the Head of Procurement Unit contrary to Section 84 of the Public Procurement and Asset Disposal Act, 2015.

(iii) Notification letters of regret for contracts worth Kshs.91,342,692 were not sent to unsuccessful bidders contrary to Section 87(3) and 126(4) of Public Procurement and Asset Disposal Act, 2015.

(iv) Supplies amounting to Kshs.13,390,836 were not received in the stores vide counter receipt vouchers (S13) and there was no evidence of distribution of the same vide counter issue vouchers (S11).

(v) Fuel worth Kshs.2,509,200 was not recorded in the fuel registers. In addition, work tickets and detailed orders supporting utilization of the fuel were not provided for audit.

(vi) Contract for consultancy services worth Kshs.96,258,653 was awarded to three (3) consultancy firms to perform three different consultancy services which included fecal slug management, hygiene framework and community led total solution. However, the payment voucher, project file and other accompanying tender documents for consultancy in respect of hygiene framework worth Kshs.19,267,600 was not provided for audit. In addition, though some reports were submitted, there were no minutes approving the reports for adoption. Further, progress report on implementation of recommendations from the consultancy reports was not provided for audit.

(vii) Wajir Water and Sewerage Company did not maintain a list of pre-qualified suppliers and contractors. It was not clear how the suppliers who were awarded the tender through request for quotations were identified.

(viii) Physical verification carried out on 20 November, 2021 revealed that one trailer, consumer meters, two (2) exhauster vehicles and multipurpose trucks all worth Kshs.56,620,000 delivered one year ago had not been put into use. It was therefore not clear whether there was need for acquisition of the equipment. In addition, ownership documents for the trailer, exhausters vehicles, trucks and pickups procured during the year were not provided for audit.

In the circumstances, Management was in breach of the law.

134. Irregular Operation of Bank Accounts

During the year under review, the County Executive operated three accounts; Imprest Account, Emergency Fund Account, Referral Hospital Account in various commercial banks contrary to the requirement by Regulation 82(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires all County exchequer accounts and County Government bank accounts to be opened at the Central Bank of Kenya except for imprest bank accounts for petty cash. The accounts were used to transact normal payments which could not be considered as petty cash.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

135. Weaknesses in Internal Audit and Lack of an Audit Committee

Review of the County Executive governance structures revealed that the County Executive has an Internal Audit Unit. Although the Unit had an annual work plan, it was noted that it did not effectively execute the work plan due to what was explained as failure by the County departments to provide documents and records for audit.

Further, the County Executive has not established an Audit Committee as required by Section 155(5) of the Public Finance Management Act, 2012 to support the accounting officers with regard to their responsibilities for issues of risk control, governance and associated assurance.

In the circumstances, it was not possible to confirm the existence of an effective overall governance at the County Executive.

136. Compensation of Employees

The County Executive did not have an approved staff establishment that indicates the optimal number of staff for each category, the current number of staff in post and the variance.

Further, review of the payroll records established that the County Executive maintained both Integrated Payroll and Personnel Database (IPPD) with a total of three thousand, two hundred and nineteen (3,219) employees and the manual payroll (excel sheets) with a total of one thousand, two hundred and twenty-one (1,221) employees. No satisfactory explanation was provided by the Management for maintaining the two (2) sets of payrolls.

In the circumstances, existence of an effective Human Resource Policy Framework could not be confirmed.

137. Weaknesses in Information Communication Technology (ICT) Controls

During the year under review, the County Executive did not put in place an ICT strategy and steering committee, ICT Security Policy, ICT upgrade Policy, Disaster Management and Recovery Policies.

In the circumstances, business recovery and continuity of the operations could not be confirmed.

138. Lack of Risk Management Policy

Interviews with key staff revealed that the County Executive does not have a risk management policy. It was further noted that the Management did not carry out risk assessment during the year under review. Management may not identify and effectively respond to risks in order to minimize or prevent their impact.

In the circumstances, existence of effective risk management policy could not be confirmed.

139. Poor Management of Assets

Annex 5 to the financial statements is a summary of fixed assets which reflects an amount of Kshs.14,440,115,144 being total assets owned by the County Executive as at 30 June, 2021. However, the County Executive did not provide an asset register for audit. It was further established that the County Executive has a fleet of one hundred and twenty-nine (129) motor vehicles. The insurance cover for all the County motor vehicles had expired on 20 May, 2020 hence the vehicles were operating without valid insurance cover.

In the circumstances, existence of effective controls on assets could not be confirmed.

COUNTY EXECUTIVE OF MANDERA – NO.9

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

140. Use of Goods and Services

The statement of receipts and payments reflects use of goods and services expenditure of Kshs.2,680,906,020. Review of records in relation to expenditure revealed the following anomalies:

140.1 Unsupported Training Expenses

The expenditure includes training and capacity building expenditure of Kshs.96,671,031 which further includes payments amounting to Kshs.4,454,900 in relation to items purchased for training activities whose supporting documents such as store ledgers, request counter issue vouchers (S3 and S11) and records to indicate the nature, time and the trainees undertaking training were not provided for audit.

In the circumstances, the accuracy, regularity and completeness of expenditure amounting to Kshs.4,454,900 could not be confirmed.

140.2 Unsupported Legal Expenses

The expenditure includes other operating expenditure of Kshs.717,968,600 which further includes legal expenses amounting to Kshs.33,447,500 paid to four (4) law firms. However, procurement records relating to the law firms were not provided for audit.

In the circumstances, the accuracy and regularity of expenditure amounting to Kshs.33,447,500 could not be confirmed.

140.3 Unsupported Hospitality Expenses

The expenditure includes hospitality, supplies and services expenditure of Kshs.44,490,817 which further includes an amount of Kshs.4,418,000 incurred in procurement of hospitality services from a hotel within Mandera County. Review of records revealed that framework contracting procurement method was used to procure the service. However, tender documents in support of the agreement such as advertisements or invitations to tenders, evaluation report, professional opinions and award of tenders were not provided for audit.

In the circumstances, the accuracy and propriety of the hospitality, services and supplies expenditure amounting to Kshs.4,418,000 could not be confirmed.

140.4 Unsupported Printing Expenses

The expenditure includes advertising, printing and information supplies expenditure of Kshs.56,535,235 which further includes an amount of Kshs.19,513,229 incurred in

procurement of publication services from a supplier. Review of records revealed that framework contracting was used as the procurement method. However, tender documents such as the advertisements or invitations to tender, evaluations, professional opinions and award of tenders were not provided for audit. In addition, store ledger cards and requisition counter issue vouchers (S3 and S11) for deliveries of branded material and maternity files worth Kshs.1,734,875 were not provided for audit.

In the circumstances, the accuracy and regularity of the expenditure of Kshs.19,513,229 on advertising, printing and information supplies and services could not be confirmed.

140.5 Unsupported Office and General Supplies and Services Expenses

The expenditure includes office and general supplies and services expenditure of Kshs.235,226,652 which further includes an amount of Kshs.8,910,059 whose requisition from user departments and suppliers' invoices were not provided for audit.

In the circumstances, the accuracy and regularity of expenditure amounting to Kshs.8,910,059 could not be confirmed.

141. Unsupported Expenditure on Rehabilitation of Civil Works

The statement of receipts and payments reflects acquisition of assets expenditure of Kshs.4,339,997,755. Included in the expenditure are payments amounting to Kshs.738,713,561 on rehabilitation of civil works. However, review of records provided revealed that tender evaluation reports and professional opinions for awards totalling to Kshs.17,052,100 in respect to expansion and desilting of two (2) water pans were not provided for audit.

In the circumstances, the accuracy and regularity of expenditure amounting to Kshs.17,052,100 could not be confirmed.

142. Incomplete Fixed Assets Register

Annex 6 to the financial statements is a summary of fixed asset register that discloses fixed assets value of Kshs.34,444,821,170. However, the fixed asset register provided was incomplete since it did not indicate the fixed assets balance of the previous year.

In the circumstances, the regularity, completeness and accuracy of the assets balance of Kshs.34,444,821,170 could not be confirmed.

143. Unsupported Pending Bills

Note 6.1 discloses other important disclosures in the financial statements which reflects pending account payables balance of Kshs.894,061,267 as at 30 June, 2021. Review of the accounts payable register revealed that the register was prepared in the format recommended by The National Treasury and incorporated previously omitted pending bills. This resulted into an increase amount of the pending bills to Kshs.894,061,267 up from Kshs.401,662,742. It was however, noted that the remarks column of the register

was blank and thus the status of pending bills whether paid or outstanding was not confirmed.

In the circumstances, the accuracy and regularity of the pending bills balance of Kshs.894,061,269 could not be confirmed.

Other Matter

144. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.13,211,360,877 and Kshs.12,302,477,724 respectively, resulting to an under-funding of Kshs.908,883,153 or 7% of the budget. Further, the statement reflects that the County Executive had budgeted to collect an amount of Kshs.200,037,792 from County own generated revenues but a total amount of Kshs.143,313,898 was collected leading to under-collection of Kshs.56,723,894 representing 28% of the budget.

Similarly, the County Executive spent an amount of Kshs.11,677,472,719 against an approved budget of Kshs.13,211,360,877 resulting to an under-expenditure of Kshs.1,533,888,158 or 12% of the budget.

The undercollection and underperformance affected the planned activities and may have impacted negatively on service delivery.

145. Late Exchequer Releases

Examination of the County Revenue Fund bank statements for the months of June and July, 2021 indicated that 2020/2021 budgeted Exchequer releases amounting to Kshs.3,569,812,109 were received between 15 June, 2021 and 07 July, 2021. The delay was attributed to The National Treasury's failure to remit the funds within the timelines.

In the circumstances, the County Executive experienced delays in payment for its development and recurrent expenditures thereby affecting service delivery.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

146. Irregular Expenditure on National Government Functions

Included in acquisition of assets expenditure of Kshs.4,339,997,755 is an amount of Kshs.1,133,948,217 for construction of buildings. Review of payment records provided revealed that Management implemented the following three (3) projects falling under the National Government functions: construction of Mandera Teachers Training College, construction of Kenya Medical Training College (KMTC) in Mandera East and Chain Link Fencing of Islamic and Secular University Land within the County. However, there was no agreement with the National Governmen. This was contrary to the provisions of Article

186(1) which states that except as otherwise provided by this Constitution, the functions and powers of the National Government and the County Governments, respectively, are as set out in the Fourth Schedule, Article 187(1) (a)(b) and Article 187(2)(a) of the Constitution which state that if a function or power is transferred from a Government at one level to a Government at the other level - (a) arrangements shall be put in place to ensure that the resources necessary for the performance of the function or exercise of the power are transferred; and (b) constitutional responsibility for the performance of the function or exercise of the power shall remain with the Government to which it is assigned by the Fourth Schedule.

In the circumstances, Management was in breach of the law.

147. Irregular Payment to Council of Governors

Management paid an amount of Kshs.1,000,000 to the Council of Governors as legal funds contribution towards Council of Governors' Hybrid Meeting. However, Section 37 of the Intergovernmental Relations Act, 2012 provides that the operational expenses of the Council are supposed to be catered by the National Government.

In the circumstances, Management was in breach of the law.

148. Acquisition of Assets

The statement of receipts and payments reflects acquisition of assets expediture of Kshs.4,339,997,755 as disclosed in Note 5 to the financial statements. Review of records revealed the following anomalies:

148.1 Construction of Masonry Tank and Piping of Water

The expenditure includes construction and civil works amounting to Kshs.1,387,303,635 which further includes an expenditure of Kshs.3,760,000 paid out to a contractor for construction of masonry tank and piping of water to Handadu village in Neboi Ward. The project was certified to be practically complete on 29 May, 2020. Physical verification carried out on 23 November, 2021 revealed that the masonry tank was constructed on a private property and there was no agreement between the County Executive and the owner of the land.

In the circumstances, the value for money on the project could not be confirmed.

148.2 Construction of Buildings

In addition, under the construction of buildings, Management awarded tenders to various contractors to undertake construction of buildings within the County which included construction of County Headquarters, Governor and Deputy Governor's residence, guest house, regional market, slaughter house, level IV Hospital and Sub-county Headquarter. Review of records revealed that Public Procurement Regulation Authority reports for five (5) winning bidders of projects worth Kshs.125,000,142 were not provided for audit. Physical verification conducted on 24 November, 2021 revealed that Enforcement Camp

at Sukela in Mandera North Sub-county was initiated in the financial year 2014/2015 with a contract sum of Kshs.26,380,876 but had not been put to use.

In the circumstances, the value for money in respect of the above projects could not be confirmed.

148.3 Construction of Governor's and Deputy Governor's Official Residences

The Salaries and Remuneration Commission (SRC) issued Circular No. SRC/TS/COG/6/61/48 VOL11(64) dated 20 May, 2019 on cost limits for Governor's and Deputy Governor's residences set out at Kshs.45,000,000 and Kshs.35,000,000 respectively. The Circular also stated that deviations from these limits would require approval from Senate after recommendation from Ministry of Transport, Infrastructure, Public Works, Housing and Urban Development. Before the circular was issued, the County Executive was constructing the residences for the Governor and deputy Governor which were at various levels of completion as detailed below:

Name of the Project	Date of Commencement	Contact Amount (Kshs.)	% of Completion
Governor's Residence	2014	258,051,400	70%
Deputy Governor's Residence	May, 2019	78,783,804	45%

Management wrote to Commission on Revenue Allocation (CRA), Controller of Budget (COB) and Senate, explaining why the County Executive should be exempted from the cost limits issued by SRC citing issues such as: Ministry of Interior prohibiting quarry activities in the region hence increased cost of construction materials, lack of specialized labour from within the County and security features required of the structures being constructed among many other reasons.

Management engaged Ministry of Transport, Infrastructure, Public Works, Housing and Urban Development to carry out technical assessment of the two projects. The assessment report dated 2 March, 2020 indicated the status of the project as follows:

Name of the Project	Project Total Cost (Kshs.)	% of Completion
Governor's Residence	257,210,400	70%
Deputy Governor's Residence	77,442,042	40%

The report stated that most of the project works were implemented and projects were at advanced stages hence not possible to scale down. It also cited some risks such as litigations for breach of contracts and non-achievement of projects objectives if the already contractual agreements are varied. The report advised that Management to engage the Senate and CRA for guidance and way forward.

According to available documents, all the reports requested by Senate were forwarded for consideration and the Senate promised to consider the request of exempting County Executive from set limits after visiting the site.

As at the time of audit in November, 2021, the Governor's Official Residence was complete, fully furnished and the handing over of the project was already done after total payments of Kshs.249,038,012 and an outstanding balance of Kshs.9,013,388. The construction of the Deputy Governor's Official Residence was still in progress with total payments of Kshs.59,542,625 and the outstanding balance of Kshs.19,441,258.51.

However, documents to confirm the exemption of the above over expenditures on Governor's and Deputy Governor's Official Residences by the Senate have not been provided for audit.

In the circumstances, the propriety of the expenditure amounting to Kshs.308,580,637 could not be confirmed.

148.4 Irregular Procurement on Research Study Services

Management engaged a company and paid an amount of Kshs.4,287,414 on 02 July, 2021 to undertake hydrogeological survey of fifty (50) sites within Mandera Sub-counties. Management used request for quotation method to procure the service instead of request for proposal method as required by Section 116(1)(b) of the Public Procurement and Asset Disposal Act, 2015 which states that an accounting officer of a procurement entity may use request for proposal for a procurement if the services to be procured are advisory or otherwise of a predominately intellectual nature.

In the circumstances, Management was in breach of the law.

149. Irregular Expenditure Reinbursements

Included in use of goods and services expenditure of Kshs.2,680,906,020 is domestic travel and accommodation allowances of Kshs.45,755,306 and foreign travel expenses of Kshs.1,602,272. However, review of records revealed that officers were not given cash imprest but instead claimed reimbursements after reporting back to their stations. This was contrary to Section 152(1) of Public Finance Management Act, 2012 which requires an accounting officer for a County Government entity to authorise payment of cash advances to public officers employed in the entity to be used to enable those officers to make payments for the entity or in the course of their duties.

In the circumstances, Management was in breach of the law.

150. Late Remittance of Statutory Deductions

Review of statutory deductions from payrolls revealed that NSSF deductions and contributions to retirement scheme deducted from employees were not remitted on time to the Funds. This is contrary to Section 53A(1) of the Retirement Benefits Act, 2012 which states that where an employer, having an agreement with an employee who is a

member of a scheme, made a deduction from the employee's emoluments for remittance to the scheme, fails to remit the deduction within fifteen days of the deduction, the scheme may, after giving such employer not less than seven days' notice, institute proceedings for the recovery of the deduction. The remittance dates and deadlines are tabulated as follows:

N.S.S.F

Month	Amount (Kshs.)	Remittance Date	Deadline
June, 2020	340,300	26 October, 2020	15 July, 2020
July, 2020	329,900	26 October, 2020	15 August, 2020
August, 2020	348,700	26 October, 2020	15 September, 2020
September, 2020	336,700	26 October, 2020	15 October, 2020
March, 2020	324,300	29 April, 2021	15 April, 2021
April, 2020	323,500	21 May, 2021	15 May, 2021

LAPTRUST and LAPFUND

Month	LAPFUND (Kshs.)	LAPTRUST (Kshs.)	Remittance Date	Deadline
June, 2020	1,473,250	16,431,821	26 October, 2020	9 July, 2020
July, 2020	1,477,282	16,399,936	29 October, 2020	9 August, 2020
August, 2020	1,512,323	17,323,914	29 October, 2020	9 September, 2020
September, 2020	1,489,959	17,277,443	29 October, 2020	9 October, 2020
March, 2021	1,531,515	20,672,962	29 April, 2021	9 April, 2020
April, 2021	1,521,877	21,553,129	21 May, 2021	9 May, 2021

In the circumstances, Management was in breach of the law.

151. Unremitted House Rent

During the year under audit, the County Executive deducted house rents totalling Kshs.211,950 from the salaries of employees who rent houses owned by the State Department for Housing and Urban Development. However, the deducted amounts remained unremitted to the State Department at the time of the audit in November, 2021. This was contrary to Regulation 66(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that when a County Government entity renders agency services to another County Government entity or national Government entity, all revenue receipts collected shall be accounted for fully by the agent to the receiver of revenue or collector of revenue or accounting officer.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

152. Non-tagging of Office Furniture

In the year under audit, the County Executive procured office furniture amounting to Kshs.76,436,096. However, physical verifications conducted on 24 November, 2021 revealed that the furniture had not been tagged hence exposing the assets to risk of loss.

In the circumstances, existence of effective internal controls on assets could not be confirmed.

153. Lack of Institutional Risk Management Framework

The County Executive did not have in place a documented risk management policy in the year audit, and thus the internal audit unit could not complement the process of risk identification, risk assessment and evaluation of likelihood of risk occurrence and its impact on County Executive's operation. Therefore, the County Executive may not be able to identify, measure and control the impacts of unfavorable events that may have adverse effect on its operations.

In the circumstances, existence of an effective risk management framework could not be confirmed.

COUNTY EXECUTIVE OF MARSABIT - NO.10

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

154. Inaccuracies in Cash and Cash Equivalents

The statement of assets and liabilities and as disclosed in Note 21A to the financial statements reflects a balance of Kshs.834,000,498 in respect to cash and cash equivalents. Included in this amount are balances totalling Kshs.58,922,818 relating to seven (7) bank accounts which differ with their respective total cash book balances resulting to an unexplained and unreconciled variance of Kshs.9,796,792.

Further, as disclosed in Note 11 to the financial statements on Other Important Disclosures, a balance brought forward from the previous year of Kshs.118,819,000 in respect of Covid – 19 Funds was received but not fully utilized. During the year under review, the County Executive spent a total of Kshs.89,991,568, however, the balance of Kshs.28,827,432 was not included in the bank balance as at 30 June, 2021.

In addition, procurement records to support the expenditure of Kshs.89,991,568 were not provided for audit.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.834,000,498 could not be confirmed.

155. Unsupported Accounts Payables Balance

The statement of assets and liabilities and as disclosed in Note 23 to the financial statements reflects a balance of Kshs.53,437,096 in respect to accounts payables being retention monies owed to contractors as at 30 June, 2021. However, supporting documents for the balances were not provided.

In the circumstances, the accuracy, completeness and regularity of the balance of Kshs.53,437,096 could not be confirmed.

156. Overstatement of the Financial Statements

The statement of receipts and payments and as disclosed in Note 11 to the financial statements reflectsan amount of Kshs.2,551,779,547 in respect of compensation of employees. However, re-computation of the financial statements amounts using IFMIS chart of account codes relating to compensation of employees totalled to Kshs.2,459,789,378 resulting to an unreconciled variance of Kshs.91,990,169.

In the circumstances, the accuracy and completeness of compensation of employees' expenditure of Kshs.2,551,779,547 could not be confirmed.

157. Unsupported County Own Generated Receipts

The statement of receipts and payments and as disclosed in Note 9 to the financial statements reflects an amount of Kshs.107,446,569 in respect to County own generated receipts. Included in this amount is a balance of Kshs.50,065,800 in respect to Hospital-Facility Improvement Fund. However, revenue records provided reflected an amount of Kshs.51,507,475 resulting to an unexplained variance of Kshs.1,441,675.

Further, included in the County own generated receipts is an amount of Kshs.3,514,647 in respect to land transaction charges. However, records maintained by the lands office revealed that nine (9) registers used in collection and recording of land rates were not updated and the rates payable were not indicated

In addition, the receipts include an amount of Kshs.1,076,010 in respect to market charges. However, the monthly revenue reports provided revealed that the County Executive was unable to collect revenue from Saku Sub-county market stalls for the current and other previous years. No explanation was given as to why the County Executive was not collecting revenue from market stalls and no measures have been put in place to ensure the recoverability of the uncollected amount.

In the circumstances, the accuracy and completeness of the County own generated receipts amounting to Kshs.107,446,569 could not be confirmed.

158. Unsupported Compensation of Employees

The statement of receipts and payments and as disclosed in Note 11 to the financial statements reflects an amount of Kshs.2,551,779,547 in respect to compensation of employees. Included in the expenditure in an amount of Kshs.2,350,465,973 relating to basic salaries of permanent employees which also consists of Kshs.36,934,332 paid to one hundred and thirty-one (131) ECDE employees through a manual payroll system. Management did not give reasons for not incorporating these employees into the Integrated Payroll and Personnel Database (IPPD) system.

Further, included in the expenditure is an amount of Kshs.127,463,299 in respect to basic wages of temporary employees which comprises of an amount of Kshs.11,817,000 paid to casuals engaged in waste collection in Saku Sub-county whose supporting documents were not provided.

In the circumstances, the accuracy and regularity of the expenditure of Kshs. 48,751,332 could not be confirmed.

159. Unsupported Stipends for Interns

The statement of receipts and payments and as disclosed in Note 11 to the financial statements reflects an amount of Kshs.2,551,779,547 in respect to compensation of employees. Included in the expenditure in an amount of Kshs.2,350,465,973 relating to basic salaries of permanent employees which consists of Kshs.60,769,000 paid as stipend to youth engaged through work placement program for a period of one-year

effective 1 March, 2020. However, supporting documents were not provided. This was contrary to Regulation 119(2) of Public Finance Management (County Governments) Regulations, 2015, which provides that the budgetary allocation for personnel costs shall be determined on the basis of a detailed costing of a human capital plan of a County Government entity as approved by the responsible County department for public service management matters, the County Public Service Board and County Treasury.

In the circumstance, the regularity and accuracy of expenditure of Kshs.60,769,000 could not be confirmed.

160. Unsupported Expenditures on Use of Goods and Services

The statement of receipts and payments and as disclosed in Note 12 to the financial statements reflects an amount of Kshs.738,831,196 in respect to use of goods and services. However, the audit revealed the following unsatisfactory issues:

i. Included in the expenditure in an amount of Kshs.129,615,875 in respect to domestic travel and subsistence allowance which consists of Kshs.3,445,700 paid to officers and participants as per diems and other allowances for various trainings and workshops. However, supporting documents were not provided.

ii. Similarly, the expenditure includes an amount of Kshs.42,670,531 in respect to training expenses which further includes an amount of Kshs.10,346,700 paid to members of staff as allowances.

However, the County Executive paid the allowances to staff to attend and facilitate official duties away from their duty stations instead of advancing them with imprest in accordance with Regulation 93 (3) of the Public Finance Management (County Government) Regulations, 2015 which states that temporary imprest shall be issued mainly in respect of official journeys and are intended to provide officers with funds with which they can meet travelling, accommodation and incidental expenses. Further, supporting documents for the expenditure were not provided.

iii. Further, the expenditure includes training expenses amounting to Kshs.42,670,531 which further includes an amount of Kshs.4,803,260 in respect to procurement of assorted sports items. However, supporting documents for the expenditure were not provided.

iv. The amount also includes ana mount of Kshs.77,877,509 in respect to fuel, oil and lubricants which further includes an amount of Kshs.16,002,000 in respect to fuel consumed by various departments. However, supporting documents including fuel registers, work tickets, detail orders and statements of consumption from the contracted suppliers were not provided for audit.

v. Included in the expenditure is an amount of Kshs.78,600,000 in respect to insurance costs which comprises of an amount of Kshs.55,875,076 for comprehensive medical cover for County staff. However, records provided

revealed that the medical cover catered for 493 out of the total 2,174 County members of staff leaving 1,681 staffs not covered.

In the circumstances, the completeness and regularity of the expenditure of Kshs.738,831,196 in respect of use of goods and services could not be confirmed.

161. Unsupported Expenditure on Purchase of Success Cards

The statement of receipts and payments and as disclosed in Note 15 to the financial statements reflects an amount of Kshs.1,549,598,660 in respect to other grants and payments. Included in theexpenditure is an amount of Kshs.725,707,853 in respect to other capital grants and transfers which further includes two payments totalling to Kshs.3,633,702 paid to a firm for the supply and delivery of success cards and other school items used by candidates during exams. However, supporting documents were not provided contrary to Section 104(1) of the Public Finance Management (County Government) Regulations, 2015 which states that all receipts and payment vouchers of public moneys shall be properly supported with a pre-numbered receipt and that payment vouchers shall be supported by the appropriate authority and documentation.

In the circumstances, the accuracy and regularity of payments of Kshs.3,633,702 could not be confirmed.

162. Unsupported Procurement of Relief Food

The statement of receipts and payments and as disclosed in Note 15 to the financial statements reflects an amount of Kshs.1,549,598,660 in respect of other grants and payments. Included in theexpenditure is an amount of Kshs.349,961,230 relating to emergency relief and refugee assistance which consists of an expenditure of Kshs.19,575,000 for purchase and supply of maize, beans and cooking oil. However, supporting documents were not provided contrary to Regulation 104(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that all receipts and payments voucher of public moneys shall be properly supported with a pre-numbered receipt and that payment vouchers shall be supported by the appropriate authority and documentation.

In the circumstances, the accuracy and regularity for the expenditure of Kshs.19,575,000 could not be confirmed.

163. Unaccounted for Motor Vehicles

The statement of receipts and payments and as disclosed in Note 17 to the financial statements reflects an amount of Kshs.657,937,366 in respect to domestic payables from previous financial year. Included in the expenditure is an amount of Kshs.38,215,899 paid to a company for procurement of motor vehicles. However, supporting documents were not provided. In addition, review of the summary of fixed assets register revealed that the additional motor vehicles were not included.

In the circumstances, the accuracy and the value for money for the expenditure totalling to Kshs.38,215,899 could not be confirmed.

Other Matter

164. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.8,715,102,211 and Kshs.8,224,789,009 respectively, resulting to an under-funding of Kshs.490,313,203 or 6% of the budget. Similarly, the County Executive spent Kshs.7,647,843,718 against an approved budget of Kshs.8,715,102,211 resulting to an under-expenditure of Kshs.1,067,258,493 or 12% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

165. Prior Year Unresolved Issues

In the report of the previous year, several issues were raised under Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Control, Risk Management and Governance. However, some matters remained unresolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

166. Non-Submission of Quarterly Reports

During the year under review, the Management did not provide quarterly reports relating to the County Executive containing information on the financial and nonfinancial performance in a form that complies with the standards prescribed and published by the Public Sector Accounting Standards Board from time to time. This was contrary to Section 166 (4) of the Public Finance Management Act, 2012 which states that not later than one month after the end of each quarter, the County Treasury shall consolidate the quarterly reports and submit them to the county assembly; deliver copies to the Controller of Budget, National Treasury and the Commission on Revenue Allocation; and publish and publicize them.

In the circumstances, Management was in breach of the law.

167. Reallocation of Expenditure

During the year under review, expenditures totalling to Kshs.21,242,040 were incurred and charged to the wrong expenditure item contrary to Regulation 43(2) of Public Finance Management (County Governments) Regulations, 2015 that requires the entity to execute their expenditure based on approved budgets, annual appropriation legislation, and the approved annual cash flows plan.

In the circumstances, Management was in breach of the law.

168. Non-disclosure and Preparation of Financial Statements

The Kenya Gazette Notice No.8065 of 10 August, 2018 was approved by the County Assembly and granted charter by the County Governor on the 30 August, 2019 establishing the Marsabit County Municipality Board. However, disclosure number 7 to the financial statements on establishment of other County Executive entities did not include the Municipality Board.

Further, the Municipality Board, County Executive of Marsabit Social Protection Fund, Marsabit County Enterprise Fund and Marsabit Water and Sewerage Company (MAWASCO) which were established in 2019, 2014 and 2017 respectively did not prepare and submit for audit the entities' financial statements. This is contrary to Section 167(1 to 3) of the Public Financial Management Act, 2012, which provides that the administrator of a County public fund established by the Constitution, an Act of Parliament or County legislation shall prepare financial statements for the fund for each financial year in a form prescribed by the Accounting Standards Board which shall contain information on the financial and non-financial performance of the fund and not later than three months after the end of each financial year, the administrator of a County public fund shall submit the financial statements prepared under this section to the Auditor General.

In the circumstances, Management was in breach of the law.

169. Irregular Bidding on Construction of Roads Contracts

The statement of receipts and payments and as disclosed in Note 15 to the financial statements reflects an amount of Kshs.1,549,598,660 in respect to other grants and payments. Included in the expenditure is an amount of Kshs.725,707,853 in respect to other capital grants and transfers which consists of Kshs.13,492,683 relating to expenditure on access roads and spot improvement services paid to various contractors. However, the competitive bidding could not be confirmed since tender advertisements, technical and financial evaluation results by the accounting officers were not provided contrary to article 227 (1) of the Constitution which states that when a state organ or any other public entity contracts for goods or services, it shall do so in accordance with a system that is fair, equitable, transparent, competitive and cost-effective.

In the circumstances, the propriety and value for money for the expenditure of Kshs.13,492,683 could not be confirmed.

170. Delayed Completion of Modern Market

The statement of receipts and payments and as disclosed in Note 17 to the financial statements reflects an amount of Kshs.2,066,313,806 in respect to acquisition of assets. Included in the expenditure is an amount of Kshs.673,133,719 in respect to construction of buildings which further includes Kshs.37,695,673 being the final payment for the construction of a modern market. However, the contract included supply and installation of 16M^3 capacity, 10-meter-high elevated steel tank complete with a booster pump at a

cost of Kshs.5,000,000 which had not been completed and put in use as at the time of the audit.

Further, an addendum contract was issued at contract sum of Kshs.11,601,490 for fencing and retaining wall and additional cabro works to parking, the bill of quantities included provision for laying and jointing carbs and channels on the edge of the road at a cost of Kshs.540,000 and painting of the doors to the stalls. Physical verification of the project revealed that the aforementioned works had not been done.

In the circumstances, the propriety and value for money for the expenditure totalling to Kshs.5,540,000 could not be confirmed.

171. Payment for Goods Not Delivered

The statement of receipts and payments and as disclosed in Note 17 to the financial statements reflects an amount of Kshs.2,066,313,806 in respect to acquisition of assets. Included in the expenditure is an amount of Kshs.52,389,250 in respect to purchase of specialized plant, equipment and machinery which consists of an amount of Kshs.2,000,000 for procurement of 400 fishing gears. The equipment was to be issued to Boat Management Unit responsible for fishing in Lake Turkana at Loyangalani.

However, audit verification conducted in the month of October, 2021 revealed that the equipment had not been received contrary to Section 104(1) (i) of the Public Finance Management Act, 2012 which states that subject to the Constitution, a County Treasury shall monitor, evaluate and oversee the management of public finances and economic affairs of the County Government including ensuring proper management and control of, and accounting for the finances of the County Government and its entities in order to promote efficient and effective use of the County's budgetary resources.

In the circumstances, the propriety and value for money for the expenditure of Kshs.2,000,000 could not be confirmed.

172. Human Resource Management

172.1 Non-Compliance with the One Third of the Basic Salary Rule

The statement of receipts and payments and as disclosed in Note 11 to the financial statements reflects an amount of Kshs.2,551,779,547 in respect to compensation of employees. Review of records revealed that fifty-two (52) employees received net pay which was below a third (1/3) of their basic pay contrary to Section 19 (3) of the Employment Act, 2007, which states that the total amount of deduction of the wages of an employee shall not exceed two-thirds (2/3) of such wages.

In the circumstances, Management was in breach of the law.

172.2 Irregular Engagement of Casuals

The statement of receipts and payments and as disclosed in Note 11 to the financial statements reflects an amount of Kshs.2,551,779,547 in respect to compensation of employees. Included in the amount is an expenditure of Kshs.127,463,299 in respect to basic wages of temporary employees which further consists of Kshs.2,862,500 paid to casual employees in various departments who have been engaged continuously since June, 2020. This is contrary to Section 37 1(b) of the Employment Act, 2007 which stipulates that where a casual employee performs work which cannot reasonably be expected to be completed within a period, or a number of working days amounting in the aggregate to the equivalent of three months or more the contract of service of the casual employee shall be deemed to be one where wages are paid monthly and Section 35(1)(c) shall apply to that contract of service.

In the circumstances, Management was in breach of the law.

172.3 Irregular Extension of Probationary Period

Records provided for audit verification including payroll data revealed that twenty-five (25) employees employed on diverse dates had been on probation for more than six months without approval. This is contrary to Section 42(2) of the Employment Act, 2007 which states that a probationary period shall not be more than six months but it may be extended for a further period of not more than six months with the agreement of the employee.

In the circumstances, Management was in breach of the law.

172.4 Irregular Earnings on Expired Contract

The statement of receipts and payments and as disclosed in Note 11 to the financial statements reflects an amount of Kshs.2,551,779,547 in respect to compensation of employees. Included in the amount is an expenditure of Kshs.127,463,299 in respect to basic wages of temporary employees which comprises of an amount of Kshs.455,260 paid to one employee whose contract expired on 31 March, 2018 and whose salary payments had not been stopped or contract renewed. This is contrary to Section B.20 (3) of Human Resource Policies and Procedures Manual for the Public Service dated May, 2016, which states that an officer serving on contract, and whose services are still required, will be informed in writing at least three (3) months before the expiry of the contract.

In the circumstances, Management was in breach of the law.

172.5 Overpayment of Basic pay

The statement of receipts and payments and as disclosed in Note 11 to the financial statements reflects an amount of Kshs.2,551,779,547 in respect to compensation of employees. Included in the amount is an expenditure of Kshs.127,463,299 in respect to basic wages of temporary employees which also consists of Kshs.1,190,740 paid to thirty-seven (37) contractual staff for their basic pay over and above the stipulated rate by

salaries and remuneration commission through circular Ref. No. SRC /TS/JE/CG/3/33/Vol. III. (30) dated 8 July, 2020 on implementation of salaries.

In addition, examination and comparison of bank remittance records for manual payroll data and data stored in Integrated Personnel and Payroll Database revealed that in the month of June, 2021, five (5) officers were paid using both systems thus resulting to double payment amounting Kshs.377,875.

In the circumstances, Management was in breach of the law.

172.6 Irregular Payment of Acting Allowance

The County Executive staff establishment revealed that the Secretary/ Chief Executive Officer County Public Service Board has been in an acting capacity and drawing an acting allowance for a period of sixteen (16) months since 4 February, 2020 contrary to Section C.14 (1) of the Public Service Human Resource Policies and Procedures Manual 2016, which provides that acting allowance will not be payable to an officer for more than six (6) months.

In the circumstances, Management was in breach of the law.

173. Irregular Procurement of Consultancy Services

The statement of receipts and payments and as disclosed in Note 12 to the financial statements reflects an expenditure of Kshs.738,831,196 in respect to use of goods and services. Included in the expenditure is an amount of Kshs.69,073,772 relating to other operating expenses which consists of an amount of Kshs.6,799,950 incurred on procurement of services for the formulation of County Information Communication Technology (ICT) policy, provision of consultancy services on guidelines and environmental consideration in eco-tourism and development of solid management bill and municipality tenancy agreement. However, although the services were exclusively of predominant nature, the County Executive used request for quotation as a method of procurement contrary to Section 116(1) of the Public Procurement and Asset Disposal Act, 2015 which requires that all consultancy services be initiated through expression of interest/ request for proposal.

In the circumstances, Management was in breach of the law.

174. Irregular Expenditure to County Assembly Forum

The statement of receipts and payments and as disclosed in Note 15 to the financial statements reflects an expenditure of Kshs.1,549,598,660 in respect to other grants and payments. Included in the amount is an expenditure of Kshs.428,929,577 relating to other current transfers and grants which consists of Kshs.4,100,000 paid for membership subscriptions to County Assembly Forum (CAF). However, of the CAF does not draw its mandate from the Constitution of Kenya or an Act of Parliament. Therefore, the basis for the payments made to this CAF is not legally supported and is contrary to Regulations 105(1) of the Public Finance Management (County Governments) Regulations, 2015, which states that an Accounting Officer may authorize payment vouchers provided such

expenditure is in respect of and within the provision of the services in a County Treasury warrant and in accordance with the law and regulations.

In the circumstances, Management was in breach of the law.

175. Irregular Funding of Non-devolved Functions

The statement of receipts and payments and as disclosed in Note 17 to the financial statements reflects an amount of Kshs.2,066,313,806 in respect of acquisition of assets. Included in the amount is an expenditure of Kshs.673,133,719 in respect to construction of buildings which further includes an amount of Kshs.12,127,635 incurred on various projects that relate to National Government entities. This is contrary to Paragraph 6 and 16 of the Fourth Schedule of the Constitution of Kenya, 2010, which stipulates that national defense and the use of the national defense services, Universities, tertiary educational institutions and other institutions of research and higher learning and primary schools, secondary schools and special education institutions to be National Government functions.

In the circumstances, Management was in breach of the law.

176. Unsupported Remittance of Statutory Deductions

The statement of receipts and payments and as disclosed in Note 11 to the financial statements reflects expenditure of Kshs.2,551,779,547 in respect to compensation of employees. Included in this amount is an expenditure of Kshs.446,640,435 in respect to deductions from employees in form of PAYE, NSSF, NHIF and Pension Contributions. However, the Management did not provide evidence to confirm that the statutory deductions were remitted to the beneficiary organizations. This is contrary to Section 19(4) of Employment Act, Cap 226, which states that an employer who deducts an amount from an employee's remuneration in accordance with subsection (1)(a), (f), (g) and (h) of the Act shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement, court order or arbitration as the case may be.

In the circumstances, Management was in breach of law.

177. Project Implementation

The County Executive had an approved development budget of Kshs.4,562,150,638. However, the projects implemented during the year were five hundred and eighteen (518) with a budget of Kshs.1,654,747,736 resulting to unexplained variance of Kshs.2,907,402,902. The Project Implementation Status Report showed that 253 projects worth Kshs.682,689,711 were completed, 167 projects worth Kshs.564,983,835 were ongoing, 92 projects worth Kshs.238,798,150 had not started while 6 projects worth Kshs.39,410,886 were completed but not in use.

In the circumstances, the public may not have gotten the expected services.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

178. Information Communication Technology (ICT) Internal Control Weaknesses

During the year under review, the County Executive did not have an approved ICT policy to enable it manage business processes for the delivery of services to the public in an effective and efficient manner. The County Executive also lacked an ICT continuity plan and a disaster recovery plan.

In the circumstances, existence of an effective internal controls on ICT could not be confirmed.

COUNTY EXECUTIVE OF ISIOLO - NO.11

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

179. Inaccuracies in Cash and Cash Equivalents

The statement of assets and liabilities and as disclosed in Note 21A to the financial statements reflects cash and cash equivalents balance of Kshs.1,040,792,148. However, review of cash books, bank statements and bank reconciliation statements revealed a balance of Kshs.966,208,328 resulting to an unreconciled difference of Kshs.74,583,820.

Further, the County Executive operated two revenue dollar accounts in two commercial banks. This is contrary to Section 76(2) of the Public Finance Management (County Governments) Regulations, 2015 which requires all foreign currency denominated bank accounts operated by public entities be kept at the Central Bank of Kenya, unless exempted by the Cabinet Secretary for Finance.

In the circumstances, the regularity, accuracy and completeness of cash and cash equivalents balance of Kshs.1,040,792,148 could not be confirmed.

180. Unsupported Outstanding Salary Advances

The statement of assets and liabilities and as disclosed in Note 22 to the financial statements reflects accounts receivables balance of Kshs.43,931,011 which includes a balance of Kshs.1,799,700 in respect to salary advance brought forward from previous years. However, supporting documents including requests for salary advances, approvals for the salary advances and monthly deductions from the respective officers' salaries were not provided for audit.

Further, Management did not explain why the advance was still outstanding as at 30 June, 2021 without the same having been recovered from the respective individual salaries account.

In the circumstances, the accuracy and regularity of the salary advances balance of Kshs.1,799,700 could not be confirmed.

181. Incomplete Disclosure of Pending Bills

Disclosure Note 6.10 in respect to other important disclosures and Annex 2 of the financial statements reflects pending bills of Kshs.1,261,654,379 which composed of a balance of Kshs.566,779,085 in respect to balance brought forward from the previous years and Kshs.694,875,294 in respect to additions during the year under review.

However, the balance excludes pending bills paid during the year under review. As disclosed in Note 20 to the financial statements, the County Executive paid an amount of Kshs.400,059,333 in respect to other payments which includes a balance of Kshs.297,114,333 in respect to other expenses relating to pending bills paid in the financial year and which should have been disclosed in Disclosure Note 6.10 and Annex 2 to the financial statements.

In addition, the breakdown and supporting documents for the pending bills paid during the year under review totalling to Kshs.297,114,333 were not provided for audit.

Further, the County Executive did not maintain an up-dated individual creditor's register/ledger with details of the creditor's (pending accounts) regarding work done or services rendered.

In the circumstances, the accuracy, completeness and existence of pending bills balance of Kshs.1,261,654,379 could not be confirmed.

182. Irregular Procurement of Comprehensive Staff Medical Cover

The statement of receipts and payments and as disclosed in Note 12 to the financial statements reflects use of goods and services expenditure of Kshs.973,702,538 which includes insurance costs of Kshs.57,801,862. However, the following unsatisfactory observations were made:

i. The contract for provision of a comprehensive medical insurance cover and group life cover between the National Hospital Insurance Fund (NHIF) and the County Executive was not provided for audit.

ii. Records reflected that the insurance contract was renewed from 07 August, 2020 to 06 August, 2021 at a premium cost of Kshs.75,222,674 with the instalment of Kshs.48,000,000 paid on 14 December, 2020 while the balance of Kshs.27,222,674 was to be paid later. However, there was no evidence to show that the outstanding amount had been paid to-date. This could result to cancellation or interruption of the insurance cover by the service provider which may impacted negatively on the beneficiary staff who may fail to get the anticipated medical cover.

iii. Clause 22.1 of the contract for provision of comprehensive medical group life and last expense cover between the NHIF and the County Executive on 10 September, 2019 stated that where the County Executive wishes to renew this contract upon its expiry, the client shall be required to notify NHIF in writing at least three (3) months prior to the expiry date. However, the letter of notification was not provided.

iv. The list of staff covered under the comprehensive medical insurance, group life and last expense submitted by County Executive and approved by NHIF was not provided for audit.

v. A schedule from the insurer detailing the breakdown of the number of staffs and the premium rate for each category of staff was not provided for audit hence, it was not possible to confirm how the contract sum was arrived at.

vi. Minutes of the review committee that scrutinized the performance of the existing service provider and if it met the satisfaction of staff, and minutes on negotiating for the renewal of the comprehensive medical cover were not provided for audit.

vii. Further, a letter dated 17 October, 2019 from NHIF referenced 'premium for comprehensive medical cover/deductions for casuals' revealed that the account of hospital temporary workers had been in arrears since April, 2018 and that the County Executive owed NHIF an amount of Kshs.808,800 being NHIF arrears for the temporary workers. However, the arrears had accrued penalties of Kshs.1,605,600 resulting to a total accumulated arrears and penalty of Kshs.2,414,400 owed to NHIF.

In the circumstances, the accuracy of the expenditure of Kshs.57,801,862 relating to insurance costs could not be confirmed and the accumulated penalties may impact negatively on financing of the health medical cover.

183. Unsupported Hospitality, Supplies and Services

The statement of receipts and payments and as disclosed in Note 12 to the financial statements reflects Kan amount of shs.973,702,538 in respect to use of goods and services which includes an amount of Kshs.170,718,057 in respect to hospitality, supplies and services. The expenditure includes an amount of Kshs.2,500,000 paid for services rendered during the 8th edition desert wheel race, an amount of Kshs.1,850,000 paid for catering services, an amount of Kshs.3,000,000 paid to two suppliers towards the Office of the Manager, Municipality of Isiolo and an amount of Kshs.3,000,360 incurred on provision for full board accommodation for hospital staff at the Covid-19 isolation unit. However, the expenditure was not supported.

In the circumstances, the accuracy, regularity and completness of the above expenditure totalling to Kshs.10,350,360 could not be confirmed.

184. Unsupported Assets

Annex 6 to the financial statements reflects summary of non-current asset register historical cost of Kshs.17,376,937,002 which includes additions during the year of totalling to Kshs.380,478,925. However, Management did not maintain an updated fixed asset register for the year under review.

Further, the balance includes transport equipment amount of Kshs.350,676,804. It was observed that several motor vehicles have been grounded in parking yards across the County for various reasons, for a long period of time. However, records including mechanical reports, work tickets and boarding reports for purposes of disposal were not provided for audit. Further, the conditions of these vehicles continued to worsen, lowering their book value.

No explanation was given for the failure to have the unserviceable motor vehicles and transport equipment earmarked for disposal. This was contrary to Section 163(1) of the Public Procurement and Asset Disposal Act, 2015 which states that an accounting officer shall establish a disposal committee as and when prescribed for the purpose of disposal of unserviceable, obsolete, obsolescent, or surplus stores, equipment, or assets.

In addition, logbooks for motor vehicles with a value of Kshs.350,676,804 were not provided for audit.

In the circumstances, the accuracy, regularity and completeness of the amount of Kshs.17,376,937,002 in respect to transport equipment could not be confirmed.

Other Matter

185. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.5,165,390,839 and Kshs.4,921,530,181 respectively, resulting to an under-funding of Kshs.243,860,658 or 5% of the budget. Similarly, the County Executive spent an amount of Kshs.4,485,977,206 against an approved budget of Kshs.5,165,390,839 resulting to an under-expenditure of Kshs.679,413,633 or 13% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

186. Unresolved Prior Year Issues

The audit report for the previous year highlighted several issues in respect of the financial statements, lawfulness and effectiveness of public resources, and effectiveness of internal control and governance. Management's report on the progress made in resolving the issues, at Note 6.11 of other important disclosures indicates that issues relating to the financial statements had not been resolved.The report does not provide any information on the other issues highlighted in the report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

187. Failure to Prepare and Publish Contract Awards

Management did not prepare, publish and publicize all contract awards. This was contrary to Section 138(1) and (2) of the Public Procurement and Asset Disposal Act, 2015 which stipulates that the accounting officer of a procuring entity shall publish and publicize all contract awards on their notice boards at conspicuous places, and website if available within a period as prescribed and that an accounting officer of a procuring entity shall report all contract awards to the Authority as prescribed.

Further, monthly progress reports on implementation of procurement contracts were not presented for audit. As a result, there was no confirmation that Management monitored implementation of contracts regularly contrary to Section 152 of the Public Procurement and Asset Disposal Act, 2015 which stipulates that the head of the procurement function shall prepare monthly progress reports of all procurement contracts of the procuring entity and submit them to the accounting officer.

In the circumstances, Management was in breach of the law.

188. Failure to Prepare Quarterly Reports

The Management did not prepare quarterly cash flows projections and procurement plans. This was contrary to Regulation 43(3) and (4) of the Public Finance Management (County Governments) Regulations, 2015 which states that the annual cash flows plans be prepared by Accounting Officers shall be broken down into a three month rolling basis and shall be adjusted to reflect any implementation realities in consultation with the County Treasury and that quarterly cash flows projections prepared by the accounting officer shall be supported by the procurement plan. Further, the County Treasury did not publish and publicize quarterly liquidity position reports on the impact of revenue collection efforts, spending and County public debt operations as well as the cash position of the County Executive as required by Regulation 45(6) of the Public Finance Management (County Governments) Regulations, 2015 which states that the County treasury shall publish and publicize the quarterly liquidity position reports reflecting the impact of revenue collection.

In the circumstances, Management was in breach of the law.

189. Under-Collection of County Own Generated Revenue

During the year under review, the County Executive budgeted to collect County own generated revenue of Kshs.113,686,337 from various revenue sources as per the appropriations bill. However, the County Executive managed to collect and account for revenue of Kshs.47,379,011 or 42% of the budgeted revenue collection in the year under review leading to under-collection of revenue of Kshs.66,307,326.

Further, revenue arrears in respect to outstanding rent arrears and rates totalling Kshs.85,010,674 was not collected during the year under review. This was contrary to Section 157(2) of the Public Finance Management Act, 2012 which states 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.

In addition, there was no evidence to show the measures taken by the Management to ensure that the outstanding revenues are collected through incentives, litigation and other enforcement measures.

In the circumstances, Management was in breach of the law.

190. Uninsured Fixed Assets

Annex 6 to the financial statements reflects an amount of Kshs.17,376,937,002 in respect to historical cost of non-current assets for buildings, office equipment, transport equipment, ICT equipment and machinery. However, out of this amount, only motor vehicles with book value of Kshs.350,676,804 were insured leaving a balance of Kshs.17,026,260,198 in respect to the book value of the remaining assets uninsured. This is contrary to Section 160(1) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer of a procuring entity shall manage its inventory, assets and stores for the purpose of preventing wastage and loss and continuing utilization of supplies.

In the circumstances, the security and safety of the non-current assets of Kshs.17,026,260,198 could not be confirmed.

191. Irregular Management of Imprest

The statement of assets and liabilities and as disclosed in Note 22 to the financial statements reflects accounts receivables balance of Kshs.43,931,011, which includes an amount of Kshs.42,131,311 in respect to imprests, which was outstanding imprest brought forward from the previous years that had not been cleared from the IFMIS system since the financial year 2017/2018. It was further explained that the outstanding imprests had already been surrendered using the manual records but the same was not cleared from the IFMIS system.

Further, review of documents provided for audit revealed that during the year the Management expensed imprests when they were issued which is contrary to Section 91(1), and Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, Management was in breach of the law.

192. Irregular Procurement of Legal Services

The statement of receipts and payments and as disclosed in Note 12 to the financial statements reflects an expenditure of Kshs.973,702,538 in respect to use of goods and services which includes an amount of Kshs.132,853,101 in respect to other operating expenses out of which legal fees of Kshs.24,668,500 comprising of Kshs.19,668,500 and Kshs.5,000,000 was paid to two (2) law firms for legal services. However, Management used Request for Quotation instead of open tender to procure the legal services whose costs were beyond the prescribed threshold of Kshs.2,000,000 for request for quotation. This was contrary to Regulation 26 of the Public Procurement and Asset Disposal Regulations, 2020 which states that the threshold matrix shall be as provided for in the second schedule and Section 45(3)(b) of the Public Procurement and Asset Disposal Act, 2015 which states that all procurement processes shall be undertaken by a procuring entity as per the threshold matrix prescribed.

In the circumstances, the propriety and value for money for the expenditure of Kshs.24,668,500 could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

193. Lack of Risk Management Policy

The County Executive did not have a Risk Management Policy in place, contrary to Regulation 153(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which requires that Internal Auditors shall have a duty to give reasonable assurance through the Audit Committee on the state of risk management, controls and governance within the organization.

In the circumstance, existence of an effective risk management system could not be confirmed.

COUNTY EXECUTIVE OF MERU - NO.12

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

194. Inaccuracies in the Statement of Receipts and Payments

The statement of receipts and payments does not reflect any miscellaneous receipts, while supporting documents provided for audit reflect an amount of Kshs.3,871,923 under miscellaneous receipts.

Further, Note 8 to the financial statements reflects other grants and capital transfers amount of Kshs.807,944,164, which differs with the supporting schedule amount of Kshs.807,854,363 by an unexplained variance of Kshs.89,801.

In addition, Note 11 to the financial statements reflects an other payments amount of Kshs.1,762,073,031 which includes other expenses - payables from the previous financial year expenditure of Kshs.1,437,584,826. This latter amount however differs with the supporting records amount of Kshs.1,454,584,827 by an unexplained amount of Kshs.17,000,001.

In the circumstances, the accuracy of the statement of receipts and payments balances could not be confirmed.

195. Unsupported Acquisition of Assets

As disclosed in Note 10 to the financial statements, the statement of receipts and payments reflects acquisition of assets expenditure of Kshs.619,093,233. This expenditure includes construction of buildings expenditure of Kshs.100,272,947 which further includes an expenditure of Kshs.12,000,000 which was transferred by the County Executive to Meru County Micro-Finance Corporation to boost small and micro traders and which ought to have been classified as transfers to other Government entities and therefore overstating the construction of buildings amount. In addition, the amount of Kshs.100,272,947 includes an expenditure of Kshs.8,485,810 whose supporting documents were not provided for audit.

In the circumstances, the accuracy and completeness of the construction of buildings expenditure of Kshs.100,272,947 could not be confirmed.

196. Fixed Asset Register

Annex 6 to the financial statements reflects a balance of Kshs.7,730,379,420 in respect to the historical cost of the summary of non-current asset register as at 30 June, 2021. This balance includes assets balalnce of Kshs.686,572,764 described as transport equipment, whose breakdown showing the details and specific location of the assets, and ownership documents were not provided for audit.

Further, included in the total assets historical cost of Kshs.7,730,379,420 is a balance of Kshs.42,337,783 relating to the historical cost of land. However, the County Executive did not provide a list of all parcels of land owned by the County, details of the specific location of land, approximate size, value of land and the respective title deeds/ownership documents.

In the circumstances, the existence, accuracy and completeness of the historical cost balance of Kshs.7,730,379,420 in respect to the summary of non-current assets register could not be confirmed.

Other Matter

197. Pending Bills

According to Annex 2 to the financial statements, the County Executive had pending accounts payable totalling to Kshs.1,096,419,204 as at 30 June, 2021. Management has not explained why the bills were not settled during the year when they occurred. The County Executive is at risk of incurring significant interest costs and penalties with their continued delay in payment.

Failure to settle bills during the year to which they relate to distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

198. Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, no report or recommendations from the County Executive Management and oversight bodies were submitted for audit verification. Further, the issues remained unresolved without satisfactory explanation.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis of Conclusion

199. Non-Submission of Consolidated Annual Financial Statements

Management did not prepare and submit the consolidated annual financial statements in respect of all the County Government entities and the relevant summaries to the Auditor-General and deliver a copy to the National Treasury, Controller of Budget and the Commission on Revenue Allocation. This is contrary to Section 163(1) and (4) of the Public Finance Management Act, 2012.

In the circumstances, Management was in breach of the law.

200. Unremitted Statutory Deductions

Note 5 to the financial statements reflects compensation of employees payments of Kshs.4,450,390,659 which includes an amount of Kshs.2,037,151,404 and Kshs.140,298,937 in respect to basic pay of permanent and temporary employees respectively and an amount of Kshs.236,014,615 in respect to pension and other social security contributions. Review of records revealed that an amount of Kshs.67,444,200 and Kshs.3,777,200 was deducted from various officers during the year in respect to National Hospital Insurance Fund (NHIF) and National Social Security Fund (NSSF) respectively. However, the County Executive only provided evidence of remittance of Kshs.3,307,598 in respect to NHIF and Kshs.2,459,200 in respect to NSSF thereby resulting to unremitted deductions of Kshs.64,136,602 and Kshs.1,318,000 for NHIF and NSSF respectively. This was contrary to Section 16(1) of the National Hospital Insurance Fund Cap 255 of the Laws of Kenya, which states that a person liable to pay a standard contribution under section 15 shall pay such contribution through monthly deductions from his salary or other remuneration and the employer of such person shall be liable to deduct and to pay the contribution to the Board on behalf of and to the exclusion of that person. Further, Section 20 of the National Social Security Fund Act, 2013 which states that an employer shall make mandatory contributions to the Fund as defined in the Act.

In the circumstances, Management was in breach of the law.

201. Irregular Payment of Allowances to Members of County Assembly (MCAs)

As disclosed in Note 6 to the financial statements, the statement of receipts and payments reflects use of goods and services expenditure of Kshs.1,226,954,795 which includes an amount of Kshs.186,525,557 in respect to domestic travel and subsistence. The latter amount includes an expenditure of Kshs.9,699,800 paid to MCAs as per diem and transport allowances while attending various Committee Meetings of the County Executive. However, the MCAs have their budgetary allocation for domestic travel and subsistence under the County Assembly. In addition, there was conflict of interest since the County Assembly is supposed to play an oversight role, yet the members of its committees are involved in discussing and report writing for various departments of the County Executive.

In the circumstances, the propriety and value for money for the expenditure of Kshs.9,699,800 could not be confirmed.

202. Unauthorized Opening of Bank Accounts

As disclosed in Note 12A to the financial statements, the statement of assets and liabilities reflects bank balances of Kshs.1,969,050,306 held in thirty-seven (37) bank accounts operated by the County Executive out of which twenty-four (24) were held in various commercial bank accounts. This was contrary to Regulation 82(1)(b) and (5) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that all County Government bank accounts shall be opened at the Central Bank of Kenya except for imprest bank accounts for petty cash.

In the circumstances, Management was in breach of the law.

203. Unutilized Water Project

Management entered into a contract with a contractor for construction and rehabilitation of Runogone Water Project at a contract sum of Kshs.7,321,000. However, physical verification of the project revealed that the project was not operational despite the works having been certified complete and fully paid for. Further, it was noted that there were cases of vandalism of the pipes along the roadside. In addition, it was noted the piped water which was to flow by gravity did not flow as required, which was an indication that the project's feasibility study was poorly done.

In the circumstances, the value for money for the expenditure on the Project could not be confirmed.

204. Irregular Procurement of Sports Equipments

The County Executive initiated the procurement process for purchase of sports equipment for the Governor's Cup on the 23 April, 2021 through a request in line with the provisions of Section 60(1) of the Public Procurement and Asset Disposal, 2015. The Local Purchase Order (LPO) in respect to this procurement, which had a total contract cost of Kshs.2,970,000, was issued to the supplier on the 16 June, 2021.

However, the following observations have been made regarding the procurement:

(i). The nature of the event necessitating the procurement, details of the intended users and work plan for the sports activity were not supported by any documentary evidence. The user department did not provide the specific requirements in respect to this procurement especially regarding sizes of soccer boots.

(ii). Although the goods were delivered and taken charge to the stores, Management did not facilitate independent audit verification of the items.

(iii). No evidence was provided to confirm that the items were issued to the intended users.

Further, during the year under review, the supplier was also awarded a contract to supply branded football and goalkeeper uniforms at a contract price of Kshs.2,536,000. However, the specifications issued by the user department lacked a description of the sizes of different attires a clear indication that the intended users had not been identified. In addition, no evidence was provided to confirm the issuance of the uniforms to the intended users.

In the circumstances, it was not possible to determine whether the public got value for money from the expenditure totalling to Kshs.5,506,000.

205. Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

The statement of receipts and payments reflects an expenditure of Kshs.4,450,390,659 on compensation of employees representing 42% of the total receipts of Kshs.10,694,908,070. This is contrary to the provisions of Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015 which limits for expenditure on wages and benefits to not more than 35% of the County Government's total revenue for the year.

In the circumstances, Management was in breach of the law.

206. Non-Compliance with the One Third Basic Salary Rule

Review of the monthly payroll records revealed that some employees' salary deductions fell below 1/3 of the basic salary. This was contrary to the provisions of Section 19 (3) of the Employment Act, 2007 which requires that deductions made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages.

In the circumstances, Management was in breach of the law.

207. Lack of an Approved Staff Establishment

During the audit, it was noted that the County Executive did not have an approved staff establishment. This was contrary to the requirements of Section B 5(2) of the County Public Service Human Resource Manual, 2013 which states that all vacancies shall be declared in a prescribed format which shall include the number of vacancies; when the vacancy occurred; whether the vacancy is within the authorized establishment and other relevant details. Further, Section B 6(3) states that in the recruitment process, due consideration will be given to appropriate organizational structure in each Department, optimal staffing levels, schemes of service and career progression guidelines.

In the circumstances, Management was in breach of the law.

208. Irregular Probation Period

Review of manual payroll and samples of personal files for contract staff revealed that thirteen (13) officers were on probation for more than six (6) months. This was contrary to Section B.16 (1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which states that where vacancies exist in the pensionable establishment, candidates recruited to fill such vacancies shall be appointed on probation for a period of six (6) months.

In circumstances, Management was in breach of the law.

209. Underpayment of Salary

Review of manual payroll revealed that two (2) staff members in different job groups had an annual basic salary of Kshs.141,445 each which was below the minimum limit of Kshs.200,790 set by Salaries and Remuneration Commission (SRC) resulting to an underpayment of an amount of Kshs.59,345. This was contrary to the Salaries and Remuneration (SRC) Circular dated 8 July, 2020 which categorized job groups and their basic pay bands to be adopted by the County Government.

In the circumstances, Management was in breach of the law.

210. Construction of Governor's Residence

As disclosed in Note 11 to the financial statements, the statement of receipts and payments reflects other payments of Kshs.1,762,073,031 which include an amount of Kshs.1,437,584,826 in respect to other expenses - payables from previous financial period. This latter amount includes an expenditure of Kshs.54,567,213 paid to a construction company for the construction of Governor's residence being the payment certificates No. 2, 3 4 and 5.

Review of the project documents provided for audit indicated the contract period was 24 weeks from 15 October, 2018 to 14 April, 2019. However, a second contract extension was requested by the contractor on 17 July, 2021 and granted by the County Executive on the 16 August, 2021 with the revised completion date of 28 December, 2021.

Further, physical verification carried out in October, 2021 revealed that the door for the generator room, ceiling and tiling, the electrical works for the Governor offices, external civil works, drainage works and cabro laying had not been done while paintworks was still in progress. In addition, the contractor's revised program of works to cater for the extended timelines up to contract conclusion was not provided for audit.

In the circumstances, the value for money for the expenditure of Kshs.54,567,213 could not be confirmed.

211. Construction of Deputy Governor's Residence

Other expenses - payables from previous financial period includes an amount of Kshs.27,798,711 paid to a construction company for the construction of Deputy Governor's residence being the payment certificates No.2, 3 and 4.

Review of the project documents indicated that the contract period was 24 weeks from 15 October, 2018 to 14 April, 2019. However, a second contract extension was granted and the revised completion date was 28 December, 2021.

Further, physical verification carried out in October, 2021 revealed that the boundary wall was still in progress and was approximately 80% done, the DSQ and guard house were incomplete with electrical works, plumbing works and exterior paintwork outstanding while

tiling and cabinets for the main house kitchen, external paintworks, external civil works, cabro laying, drainage and parking bays had not been done. In addition, the contractor's revised program of works to cover the extended timelines was not provided for audit.

In the circumstances, the value for money for the expenditure of Kshs.27,798,711 could not be confirmed.

212. Stalled Construction of Office Block

The County Executive entered into a contract for construction of low-cost office block at the Meru County Public Works Headquarters with a contractor on the 28 July, 2020 at a contract sum of Kshs.10,424,273. The contract was to run for a period of twenty-four (24) weeks upto 31 January, 2021. During the year under review, an amount of Kshs.6,133,503 which included a balance of Kshs.3,990,992 relating to payables from previous financial period - others (budget) and an amount of Kshs,2,142,511 relating to residential buildings (including hostels), was paid to the contractor.

Audit verification on the progress of work revealed that the contractor was not on site and the contract period had already elapsed. Further, it was noted that fixing of glazed metal door, interior flush doors, tiling, paintwork, fixing of steel windows, fixing of portable fire extinguishers, ceiling, sanitary, plumbing and drainage works, and landscaping had not commenced although they had been provided for in the bill of quantities. In addition, the contractor used interlocking stones for external walling instead of "200 mm rough dressed natural stone" as specified in the bill of quantities.

Further, an updated program of works as approved by the Project Manager and minutes of Project Inspection Team were not provided for audit contrary to contractual obligations. No explanations were provided on the action taken by County Executive against the contractor despite default in executing the contractual obligations.

In the circumstances, the value for money for the expenditure of Kshs.6,133,503 incurred on this project could not be confirmed.

213. Irregular Contract Agreement

Note 11 to the financial statements reflects a total of Kshs.1,762,073,031 in respect to other payments which includes an amount of Kshs.1,437,584,826 in respect to other expenses - payables from previous financial period which further includes an amount of Kshs.4,247,461 paid by Department of Water to a contractor for installation of pipes. However, the contract agreement between the contractor and County Executive was entered on the same day the notification of award was issued. This was contrary to Section 135 (3) of the Public Procurement and Asset Disposal Act, 2015 which states that the written contract shall be entered into within the period specified in the notification but not before fourteen days have elapsed following the giving of that notification provided that a contract shall be signed within the tender validity period.

In the circumstances, Management was in breach of the law.

214. Lack of Approved Budget and Procurement Plan - Facility Improvement Fund (FIF)

Note 11 to the financial statements reflects other payments of Kshs.1,762,073,031 which includes other expenses - FIF of Kshs.250,418,541 which were incurred without an approved budget by both the County Executive Committee and County Assembly since the only budget that was presented to County Assembly on Ministry of Health expenditure was on recurrent and development expenditures in the 2020/2021 financial year.

Further the FIF did not have a procurement plan contrary to Section 53(2) of the Public Procurement and Asset Disposal Act, 2015 which requires the Accounting Officer to prepare an annual procurement plan within the approved budget prior to commencement of each financial year as part of the annual budget preparation process. It was also noted that the County Health Management Board was not in place to approve budgets for individual health facilities contrary to the guidelines from the Ministry of Health issued in 2014. In addition, individual work plans for each Hspital with specific parameters and approved budget for each health facility were not provided for audit.

In the circumstances, Management was in breach of the law.

215. Renewal of Insurance Policy for Provision of Medical Cover and WIBA Policy

The County Executive entered into a contract for renewal of an insurance cover for the provision of medical insurance and WIBA policy cover on 18 December, 2020 at a total premium cost of Kshs.279,984,357. The renewal was to cover a period of one (1) year commencing on 23 December, 2020 and ending on 22 December, 2021.

The Tender Evaluation Committee deliberated on the proposal and recommended for the renewal of medical insurance and WIBA policy contract from an amount of Kshs.249,876,345 in the financial year 2019/2020 to an amount of Kshs.279,984,357 in the financial year 2020/2021. The Committee further noted that the variation of the tender by a total of Kshs.30,108,012, which is a 12% increase from the previous contract cost, was within the Public Procurement and Asset Disposal Act, 2015. However, no evidence was provided by Management to show that a market survey was carried out to show that the offer provided by the insurance company was at the prevailing market prices. This was contrary to Regulation 90(1)(d)(ii) of the Public Procurement and Asset Disposal Regulations, 2020 which states that an accounting officer shall not enter into a contract under Section 104 of the Act unless it is satisfied that the offer is at the prevailing real market price.

In the circumstances, Management was in breach of the law.

216. Failure to Prepare and Publish Contract Awards

Management did not prepare, publish and publicize all contract awards as required contrary to Section 138(1) and (2) of the Public Procurement and Asset Disposal Act, 2015 which stipulates that the accounting officer of a procuring entity shall publish and

publicize all contract awards on their notice boards at conspicuous places, and website if available within a period as prescribed and that an accounting officer of a procuring entity shall report all contract awards to the Authority as prescribed.

Further, monthly progress reports on implementation of procurement contracts were not provided for audit. As a result, there was no confirmation that Management monitored implementation of contracts regularly as required contrary to Section 152 of the Public Procurement and Asset Disposal Act, 2015 which stipulates that the head of the procurement function shall prepare monthly progress reports of all procurement contracts of the procuring entity and submit them to the Accounting Officer.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis of Conclusion

217. Lack of Risk Management Policy for Internal Audit

The County Executive did not have a Risk Management Policy contrary to Regulation 153(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which requires that internal auditors shall have a duty to give reasonable assurance through the Audit Committee on the state of risk management, control and governance within the organization.

In the circumstances, existence of an effective risk management system could not be confirmed.

COUNTY EXECUTIVE OF THARAKA-NITHI - NO.13

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

218. Inaccuracies Compensation of Employees

The statement of receipts and payments reflects an amount of Kshs.2,332,459,514 in respect of compensation of employees and as disclosed in Note 5 to the financial statements. Review of payrolls reflected understatement of compensation of employees by five months amounting to Kshs.3,522,099. In addition, an amount of Kshs.33,017,781 was paid through the manual payroll system. It was not clear why the Management maintained a manual payroll system. The use of manual payroll system requires manual calculation of gross pay, deductions and net pay by the human resource officers and constant monthly and annual updates of the data which could be prone to human error and manipulation.

In the circumstances, the regularity, accuracy and completeness of compensation of employees amounting to Kshs.2,332,459,514 could not be confirmed.

219. Use of Goods and Services

The statement of receipts and payments reflects an amount of Kshs.693,584,133 in respect of use of goods and services and as disclosed in Note 6 to the financial statements. The following matters were noted:

219.1 Unsupported Training Expenditure

The expenditure includes training expenses amount of Kshs.6,934,665. However, there was no evidence that Management carried out this training. Further, included in the expenditure is an amount of Kshs.4,500,000 relating to trainings whose respective payment vouchers were not supported by attendance lists and travel documents.

219.2 Irregular Payments for Undelivered Goods

The expenditure also includes an amount of Kshs.85,054,780 in respect of other operating expenses which further includes an amount of Kshs.7,656,550 paid as advance payment for Artificial Insemination services. Review of documents reflected various items with a value of Kshs.2,022,890 paid for but not delivered. Further, Management did not provide County own generated receipts for the sale of subsidized Artificial Insemination services.

219.3 Unsupported Expenditure on Catering Services

The expenditure further includes an amount of Kshs.89,885,305 in respect of hospitality, supplies and services. Included in the expenditure is an amount of Kshs.2,760,000 paid to a firm for provision of catering services and accommodation for healthcare providers.

However, signed attendance list, nomination letters of participants were not provided. Further, explanation was not provided why healthcare workers were given accommodation, yet they were paid allowances by the Ministry of Health during the Covid-19 period.

219.4 Unconfirmed Consumption of Fuel, Oil and Lubricants

The expenditure also includes fuel, oil and lubricants expenditure of Kshs.60,265,815. However, review of documents relating to fuel usage at the hospitals and Sub-counties revealed the following:

i. There were no internal control measures regarding requisition, approval and receipt of fuel at Sub-counties and Hospitals.

ii. There was no reconciliation of the fuel register, work tickets and total fuel expenses.

iii. There were no monthly fuel expense returns by departments and hospitals to headquarter. Consequently, the basis upon which the fuel expense was included in the financial statements was not clear.

iv. Fuel payment vouchers did not have goods received vouchers (S13 cards) attached.

In the circumstances, the regularity, accuracy and completeness of use of goods and services amounting to Kshs.693,584,133 could not be confirmed.

220. Unsupported Expenditure on Purchase of Motor Vehicles

The statement of receipts and payements and as disclosed in Note 12 to the financial statements reflects acquisition of assets totalling to Kshs.1,005,093,221. The expenditure includes an amount of Kshs.46,884,938 in respect of purchase of vehicles and other transport equipment. Included in the expenditure is an amount of Kshs.27,000,000 spent on purchase of six (6) motor double cab vehicles. However, payment vouchers amounting to Kshs.14,960,000, relating to purchase of motor vehicles were not provided for audit.

In the circumstances, the regularity, accuracy and completeness of purchase of vehicles and other transport equipment amounting to Kshs.46,884,938 could not be confirmed.

221. Long Outstanding Imprests

Note 15 to the financial statements reflects account receivables balance of Kshs.22,374,541 which includes a balance of Kshs.21,512,623 in respect of outstanding imprest issued between 11 November, 2017 and 25 June, 2021. However, the imprest had not been surrendered or accounted for contrary to Section 93(5) of the Public Finance Management (County Governments) Regulations, 2015. Further, it was noted that some officers held multiple imprests before surrendering an earlier one contrary to Regulation 93(4)(b) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, the regularity of outstanding imprest balance of Kshs.21,512,623 could not be confirmed.

222. Lack of Ownership Documents

Annex vi to the financial statements reflects fixed assets with historical cost of Kshs.4,641,584,918 which includes purchase of vehicles and other transport equipment balance of Kshs.370,857,074 and land balance of Kshs.4,386,080. However, details of the land including ownership documents were not provided for audit.

Further, documents provided for audit revealed that the County Executive owned one hundred and eighty-one (181) motor vehicles and one hundred and one (101) motor cycles. However, the Management provided ownership documents in respect of seventy-three (73) motor vehicles and forty-six (46) motor cycles, resulting to one hundred and eight (108) and fifty-five-(55) motor vehicles and motor cycles respectively whose ownership documents were not provided for audit.

In addition, out of the 181 motor vehicles, seventy (70) vehicles, representing 39%, were grounded. The Management did not explain steps taken to restore the conditions of the grounded motor vehicles or dispose them off to provide economic benefit to the public.

In the circumstances, the accuracy, valuation and ownership of land and motor vehicles balance of Kshs.375,243,154 could not be confirmed.

Other Matter

223. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.5,857,834,974 and Kshs.5,554,449,574 respectively resulting to an under-funding of Kshs.303,385,400 or 5% of the budget. Similarly, the County Executive spent an amount of Kshs.5,039,576,426 against an approved budget of Kshs.5,857,834,974 resulting to an under-expenditure of Kshs.818,258,548 or 14% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

224. Shortfall of County Own Generated Receipts

The statement of receipts and payments and as disclosed in Note 2 to the financial statements reflects an amount of Kshs.254,745,602 in respect of County own generated receipts against an approved budget of Kshs.350,000,000. This was a shortfall fall of 27.2% of the budgeted collection. Review of records revealed the following:

i. The County Executive budgeted for revenue from land rates, cooperatives, miscellaneous plan application fees, health, physical planning, medical examination,

excavation and enforcement but no collections were made during the year under review.

ii. The County Executive did not budget for revenue from hire of hall and lorry, motor cycle operators, school inspection, food premises and private schools contrary to the provisions of County legislative framework.

iii. Daily, weekly and monthly revenue reports, revenue cash book, revenue control sheets were not provided for audit.

The under-collection affected the planned activities and may have impacted negatively on service delivery to the public.

225. Unresolved Prior Year Audit Matters

There were issues raised in the audit report for 2019/2020 financial year. However, no report or recommendations from the Management were submitted for verification. Further, the issues remain unresolved. Management did not give satisfactory reasons for not resolving the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

226. Non-Submission of Consolidated Financial Statements

Management did not provide evidence that it prepared and submitted consolidated and departmental financial statements and summaries to the Auditor-General and copy to The National Treasury, Controller of Budget and the Commission on Revenue Allocation contrary to Section 163(1)(4) of the Public Finance Management Act, 2012.

Further, County Executive entities financial statements in format prescribed by the Public Accounting Standards Board were not submitted to the Auditor-General with a copy to the County Treasury, Controller of Budget, and the Commission on Revenue Allocation, contrary to Section 163(1) and 164(1) of the Public Finance Management Act, 2012.

In the circumstances, Management was in breach of the law.

227. Failure to Prepare and Publish Contract Awards

Management did not prepare and publish all contracts awarded through the Public Procurement Information Portal (PPIP) contrary to the directive contained in the Executive Order No.2 of 2018 and subsequent communication by the Head of Public Service vide Circular Ref No. OP/CAB 39/1A of 28 June, 2018 that required all Public Entities (PEs) to implement the Executive Order by the publication of contract awards in the format and manner stated therein.

Further, a report to Public Procurement Regulatory Authority on preferences and reservations indicating compliance with Section 157(10)(12)(13) of the Public Procurement and Asset Disposal Act, 2015 indicating the number of youths, women and persons with a disability whose goods and services had been procured by the Executive was not provided for audit.

In addition, the County Executive did not provide reports on quarterly and annual inventory and stock take as required by Section 162(2) of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, Management was in breach of the law.

228. Irregular Payment to Council of Governors

During the year under review, Management made payments to the Council of Governors amounting to Kshs.1,000,000 as legal fees which had not been budgeted for. The Management has not explained why the expenditure was incurred on a function which falls under the National Government. This was contrary to Section 37 of the Intergovernmental Relations Act, 2012 which provides that the expenses of institutions established by the Act shall be met from the budget of the National Government.

In the circumstances, Management was in breach of the law.

229. Procurement and Related Issues

229.1 Procurement Irregularities in Preparation of Tharaka-Nithi Spatial Development Plan

The consultancy services for preparation of Tharaka-Nithi spatial development plan was signed on 15 March, 2018 at a contract sum of Kshs.26,842,640 with a contract duration of ten (10) months. The scope of the consultancy services was digital topographical mapping and preparation of a ten-year spatial development plan.

The contract period expired and no evidence of milestones, terms of reference and any output to be achieved from the consultancies was presented for verification. The submitted draft report had not been tabled, discussed and adopted by the County Assembly as required by Section 110(3) the County Governments Act, 2012.

Further, no evidence was provided to explain why the consultant was awarded the tender through use of direct procurement method contrary to Section 103 of the Public Procurement and Asset Disposal Act, 2015.

229.2 Unconfirmed Procurement Process Under Fuel, Oil and Lubricants

Included in the fuel, oil and lubricant amount of Kshs.60,265,815 are contracts amounting to Kshs.58,641,715. However, the following documents were not provided:

i. The advertisement as required by Section 96(1) of the Public Procurement and Asset Disposal Act, 2015.

ii. Evaluation committee report signed and initialed on each page as well as the full names and designation of the members as per Section 83(3)(a)(b) of the Public Procurement and Asset Disposal Act, 2015.

iii. Confirmation that the head of procurement reviewed the evaluation report and gave a professional opinion as per Section 84 of the Public Procurement and Asset Disposal Act, 2015.

iv. Letter of notification of award to the successful tenderer was issued in accordance with Section 87 of the Public Procurement and Asset Disposal Act, 2015.

v. Letter of acceptance from the successful bidder as per Section 87(2) of the Public Procurement and Asset Disposal Act, 2015.

vi. Notification to unsuccessful bidders in accordance with Section 87(3) of the Public Procurement and Asset Disposal Act, 2015.

229.3 Single Sourcing of Leased Offices

The statement of receipts and payments and as disclosed in Note 6 to the financial statements reflects an amount of Kshs.693,584,133 in respect of use of goods and services which includes an amount of Kshs.3,159,840 in respect of rentals of produced assets. Included in the expenditure is an amount of Kshs.2,679,840 paid for rented offices for use by various departments and sectors. However, the offices were single-sourced contrary to requirements of Section 103(2)(a) of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, Management was in breach of the law.

230. Acquisition of Assets

The statement of receipts and payments and as disclosed in Note 12 to the financial statements reflects acquisition of assets totalling to Kshs.1,005,093,221. The following observations were made:

230.1 Unsupported Purchase of Motor Vehicles

The expenditure includes an amount of Kshs.27,000,000 spent on purchase of six (6) double cab motor vehicles. However, tender documents, evaluation committee minutes, inspection reports, professional opinions from the head of procurement and contract agreements were not provided for audit. Further, as at the time of the audit, six (6) vehicles acquired in November, 2019, were not registered under the name of the County Executive contrary to Regulation 132(1) of the Public Finance Management (County Governments) Regulations, 2015.

230.2 Unsatisfactory Construction of Kathwana Social Hall

The expenditure includes an amount of Kshs.5,034,330 paid to a firm for construction of Kathwana Social Hall. However, physical verification revealed unsatisfactory workmanship and revised bills of quantities and site instructions to authorize project alterations were not provided for audit.

230.3 Irregular Construction Works

The expenditure includes an amount of Kshs.371,099,782 in respect of infrastructure and civil works. Included in the expenditure is an amount of Kshs.2,158,100 paid to a contractor for the construction of outpatient department, consultation rooms and renovation works at Magutuni Hospital. However, the contract agreement, progress reports, records of site visits and bills of quantities were not provided for audit. Further audit inspection revealed the following:

i. Construction works were ongoing at the outpatient block consultation rooms.
ii. No renovation works were done at Magutuni Hospital.
iii. There were no material specifications for the structures.
iv. There was no progress of work reports, approved interim certificates and valuation of works done to date.

Further, included in the expenditure is an amount of Kshs.6,032,880 paid to a contractor for renovation and expansion of lab and pharmacy unit at Magutuni Hospital. However, the contract period was not specified and progress reports and records of site visits, certificates of completion and approved Bill of Quantities (BQ) were not provided audit.

230.4 Unconfirmed Works at Mwithaga Water Project Supply

The expenditure includes an amount of Kshs.371,099,782 in respect of infrastructure and civil works. Included in the expenditure is an amount of Kshs.1,936,260 paid to a contractor for the construction of Mwithaga 4 Km pipeline project. However, the contract period was not stated in the award letter and progress reports and records of site visits were not provided for audit.

Further, the following was noted:

i. Except for BQs A (1,2,3,4 and 5) for works costing Kshs.218,360, no other works were done by the contractor.

ii. None of the works stated in BQ numbers B and C were undertaken by the contractor.

iii. No excavation and transportation was done as reported by the contractor at a cost of Kshs.449,800 and Kshs.220,000 respectively.

230.5 Unconfirmed Procurement of Ambulances

The expenditure includes an amount of Kshs.46,884,938 in respect of purchase of vehicles and other transport equipment. Included in the expenditure is an amount of Kshs.2,824,934 spent on clearing charges for two (2) ambulances donated to the County Executive. However, tender documents including requisitions, quotations, tender opening and evaluation minutes, professional opinions, letters of notification and acceptance of awards and contract agreements were not provided for audit.

Further, the following anomalies were noted:

i. The Management procured clearing services without a market survey contrary to Regulations 95(f) of the Public Procurement and Asset Disposal Regulations, 2020.

ii. The Management did not report the direct procurement to the Public Procurement Regulatory Authority within fourteen days after the notification of the award of the contract contrary to Regulations 90(1) of the Public Procurement and Asset Disposal Regulations, 2020.

As at the time of audit, the ambulances were yet to be registered under the name of the County Executive contrary to Regulation 132(1) of the Public Finance Management (County Governments) Regulations, 2015.

A letter dated 29 April, 2020 from the donor indicated that they were to facilitate the donations of the ambulances to the County Executive. However, the County Executive incurred expenditure on clearing charges amounting to Kshs.2,824,934 but as stipulated in the letter, Management was to incur shipping charges on the fire engine and not on the ambulances.

230.6 Unconfirmed Purchase of Knapsack Sprayers and Mouth Masks

The expenditure includes an amount of Kshs.12,366,700 in respect of purchase of certified seeds, breeding stock and live animals. Included in the expenditure is an amount of Kshs.1,766,700 spent on purchase of knapsacks sprayers and mouth masks. However, tender documents including, requisitions, minutes of negotiation by the ad hoc evaluation committee, professional opinion and contract agreements were not provided for audit.

Further, Management procured the goods without a market survey contrary to Regulation 95(f) of the Public Procurement and Asset Disposal Regulations, 2020 that states that the cost of the items to be procured are at prevailing indicative market prices obtained through a market survey.

230.7 StalledConstraction of Tunyai Nthaara Road

The expenditure includes an amount of Kshs.392,816,969 in respect of construction of roads which further includes an amount of Kshs.49,858,531 paid to a contractor for upgrading of Tunyai Nthaara road to bitumen standards. Review of records revealed that the contract was awarded to a contractor at a contract sum of Kshs.689,341,600 on

22 October, 2018 with a contract period of thirty-six (36) months. The contractor had been paid a total of Kshs.167,857,693 as at 30 June, 2021. However, physical inspection of the project revealed that the works were incomplete and stalled with only 3.4 Km out of 20 Km done and the contractor was not on site.

230.8 Stalled Constraction Mitheru - Kaanwa Road

The expenditure includes an amount of Kshs.371,099,782 in respect of infrastructure and civil works. Further, included in the expenditure is an amount of Kshs.49,815,772 paid to a contractor for upgrading to bitumen standard of Mitheru - Kaanwa Road. Review of records revealed that the project was awarded to a contractor at a contract sum of Kshs.247,899,400. The contract period was six (6) months with commencement date of 27 February, 2018 and completion date of 28 August, 2018. The contractor had been paid a total of Kshs.211,000,722 for constracting 5.5 kilometres. An extension was requested and approved on 12 September, 2018 for 4 months up to 9 December, 2018. Since then, no other extension was approved to continue with the works. In addition, no valid performance bond was provided for audit.

In the circumstances, the propriety and value for money for the above expenditures e could not be confirmed.

231. Non-Compliance with the Law on Fiscal Responsibility Principles – Wage Bill

The statements of receipts and payments reflects compensation of employees expenditure of Kshs.2,332,459,514 representing 44% of the total receipts of Kshs.5,301,895,396. This is contrary to the provisions of Regulation 26(a) the Public Finance Management Regulations, 2015 which limits for expenditure on wages and benefits to not more than 35% of the total revenue for the year.

In the circumstances, Management was in breach of the law.

232. Non-Compliance with the One-Thirds of the Basic Pay Rule

Review of the payrolls revealed that some employees' salary deductions fell below one third of their basic salary, against provisions of Section 19(3) of the Employment Act, 17 of 2007 which requires that deductions made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages.

In the circumstances, Management was in breach of the law.

233. Irregular Engagement of Temporary Workers

Analysis of the payroll data reflects payments amounting to Kshs.3,187,903 paid to three hundred and thirty-three (333) casual staff engaged by the County Executive for more than three (3) months with majority having been engaged throughout the year contrary to Section 37 of the Employment Act, 2007.

In the circumstances, Management was in breach of the law.

234. Non-Remittance of Withholding Tax Deduction and Statutory Deductions

Note 16 to the financial statements reflects a balance of Kshs.131,064,333 in respect of accounts payables, which includes an amount of Kshs.43,489,221 in respect of withholding tax deducted but not remitted to the Commissioner of Income Tax and which remained unremitted as at time of audit in September, 2021. This was contrary to Rule 8 of Income Tax Act Cap.470 (Withholding Tax) Rules, 2001. Further, it was noted that PAYE and NHIF deductions for casual workers for the month of February and March, 2021 amounting to Kshs.461,452 and Kshs.96,900 respectively, had not been remitted.

In addition, statutory deductions for NSSF, NHIF and PAYE amounting to Kshs.1,632,000, Kshs.671,300 and Kshs.2,401,444, respectively were not remitted to the respective authorities as per the stipulated timelines.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

235. Lack of Risk Management Policy for Internal Audit

The County Executive did not have a Risk Management Policy. This was contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015 which requires that internal auditors shall have a duty to give reasonable assurance through the Audit Committee on the state of risk management, control and governance within the organization.

In the circumstances, existence of an effective risk management mechanism could not be confirmed.

236. Untagged Assets and Lack of Updated Register

Annex vi to the financial statements reflects summary of non-current assets with historical cost of Kshs.4,641,584,918 as at 30 June, 2021. However, review of fixed assets registers and physical verification of the assets revealed that the assets were not tagged for ease of identification and movement. This was contrary to Regulation 132(1)(2) of the Public Finance Management (County Governments) Regulations, 2015.

Further, examination of the detailed asset register provided for audit revealed that the asset register was not updated as it contained only the assets that were acquired during the financial year 2020/2021 and not cumulated assets acquired and owned by the County Executive since inception.

In the circumstances, existence of effective internal controls on the asssets could not be confirmed.

COUNTY EXECUTIVE OF EMBU - NO.14

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

237. Acquisition of Assets

237.1 Un-Updated Fixed Asset Register

Annex 6 summary of non-current asset register reflects historical cost of various assets totalling to Kshs.11,245,611,650 out of which assets valued at Kshs.1,172,618,718 were additions made in the year under review. However, the additions were not reflected in the fixed assets register provided for audit. Further, the breakdown, specific location, and ownership documents were also not provided for audit verification.

In addition, the County Executive did not maintain a register of lands and buildings with information on the values of the assets and the terms under which these were held by the County Executive. This was contrary to the requirements of Regulation 136(2) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, the accuracy, completeness, and valuation of the fixed assets amounting to Kshs.11,245,611,650 could not be confirmed.

237.2 Unsupported Expenditure on Research, Studies, Preparation, Design and Supervision

The statement of receipts and payments reflects payments for acquisition of assets totalling to Kshs.1,172,618,718 and as disclosed in Note 17 to the financial statements. The balance includes an amount of Kshs.8,101,100 spent on research, studies, project preparation, design and supervision. However, supporting documents, including analyses to support the expenditure were not provided for audit.

In the circumstances, the accuracy and completeness of research, studies, project preparation, design and supervision expenditure of Kshs.8,101,100 could not be confirmed.

237.3 Unsupported Adjustments of Expenditure

The statement of receipts and payments reflects payments for acquisition of assets totalling to Kshs.1,172,618,718 and as disclosed in Note 17 to the finacial statements. The balance includes adjusted expenditures of Kshs.495,000 and Kshs.119,905,296 on purchase of household furniture and institutional equipment and construction and civil works respectively. However, supporting documents for the adjustments were not provided for audit.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.495,000 and Kshs.119,905,296 on purchase of household furniture and institutional equipment and construction and civil works respectively could not be confirmed.

238. Unsupported Pending Bills

Annex 2 analysis of pending accounts payable reflects a balance of Kshs.1,206,245,715 as at 30 June, 2021. The amount constitutes balance brought forward from the previous year of Kshs.1,459,154,140 and additional bills for the year under review of Kshs.1,730,283,233 while an amount of Kshs.1,983,191,534 represents payments made during the year under review. However, detailed creditors' ledger showing the movement of the outstanding creditors' accounts including the date the bills were incurred and the due date was not provided for audit.

Further as disclosed in Note 7.9(2) of other important disclosures to the financial statements , reflects pending staff payables amounting to Kshs.500,419,840. The amount constitutes a balance brought forward from the previous year amounting to Kshs.256,566,049 and additional staff payables for the period amounting to Kshs.2,956,615,646, while an amount of Kshs.2,712,761,855 represents payments made during the year under review. Similarly, supporting documents for pending staff payables including detailed staff debtor's analysis were not provided for audit.

In the circumstances, it was not possible to ascertain the accuracy and completeness of the pending bills totalling to Kshs.1,206,245,715 and Kshs.500,419,840 in respect to pending accounts payables and pending staff payables respectively.

239. Unsupported Fuel, Oil and Lubricants Expenditure

The statement of receipts and payments reflects payments for use of goods and services totalling to Kshs.681,104,398 and as disclosed in Note 12 to the financial statements. The balance includes fuel, oil and lubricants expenditure of Kshs.19,329,009 which further includes fuel totalling to Kshs.6,172,729 whose fuel records showing how the fuel was used including fuel registers and detail orders were not provided for audit.

In the circumstances, the accuracy and regularity of expenditures on fuel, oil and lubricants of Kshs.6,172,729 could not be confirmed.

240. Irregular Wages Paid through Manual Payroll

The statement of receipts and payments reflects compensation of employees' payments totalling to Kshs.2,712,761,855 and as disclosed in Note 11 to the financial statements. The expenditure includes wages totalling to Kshs.34,712,580 that were paid through a manual payroll system with the remainder paid through the Integrated Payroll and Personnel and Database (IPPD) System as prescribed by The National Treasury.

Management explained that the use of the manual payroll was caused by various factors including delays in processing personal numbers for the newly recruited employees,

payment to former defunct local authority casual laborers and dues paid to next of kin upon death of members of staff.

In the circumstances, the accuracy, completeness and regularity of compensation of employees payments totalling to Kshs.34,712,580 paid through the manual payroll could not be confirmed.

Other Matter

241. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects a final receipts budget of Kshs.7,026,429,880 and an actual receipt of Kshs.6,479,091,829 respectively, resulting to underfunding of Kshs.547,338,051 or 8% of the budget. Similarly, the County Executive spent an amount of Kshs.6,076,458,824 against an approved budget of Kshs.7,026,429,880 resulting to an under-expenditure of Kshs.975,023,094 or 14% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

242. Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

243. Non-Submission of Departmental Financial Statements

During the year, the County Executive did not prepare the annual financial statements in respect of all the County Executive entities in formats prescribed by the Public Sector Accounting Standards Board and submit them to the Auditor-General and deliver a copy to the relevant County Treasury, Controller of Budget, and the Commission on Revenue Allocation. This was contrary to Sections 148(1), 163(1) and 164 (1) of the Public Finance Management Act, 2012.

In the circumstances, Management was in breach of the law.

244. Non-Compliance with the Public Sector Accounting Standards Board Requirements

The progress on follow-up on prior year auditor's recommendations on the financial statements has not been completed as per the reporting requirements set by the Public Sector Accounting Standards Board (PSASB).

In the circumstances, the annual reports and the financial statements are not consistent with the PSASB prescribed reporting format.

245. Long Outstanding Imprest

Note 22 to the financial statements reflects accounts receivables - outstanding imprests totalling Kshs.30,137,810. An analysis carried out on the imprest register revealed that the imprests were outstanding for more than the stipulated seven (7) days. This is contrary to Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015 which requires a holder of a temporary imprest to account or surrender the imprest within seven (7) working days after returning to duty station.

In addition, there was no evidence provided to show that the accounting officer had taken any action on recovery of the outstanding imprest from the officers' contrary to Regulation 93 (6) of the Public Finance Management (County Governments) Regulations, 2015. The which requires that in the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate.

In the circumstances, Management was in breach of the law.

246. Irregular Expenditure on County Assembly

The statement of receipts and payments reflects payments for use of goods and services totalling to Kshs.681,104,398 as disclosed in Note 12 to the financial statements. The balance includes domestic travel and subsistence expenditure of Kshs.35,779,820 which further includes a payment of Kshs.2,460,000 in respect to transport and allowance to staff and Members County Assembly (MCAs) who attended a workshop to discuss and scrutinize Embu County trade and promotion development and licensing bill 2019 and sector plans for health. Management did not explain why the costs for facilitating the MCAs and staff of the County Assembly were met by the County Executive whereas the Assembly had been allocated funds in the budget to cater for its expenditures.

In the circumstances, the propriety of the expenditure of Kshs.2,460,000 could not be confirmed.

247. Irregular Procurement of Office Stationeries

The statement of receipts and payments reflects payments for use of goods and services totalling to Kshs.681,104,398 and as disclosed in Note 12 to the financial statements. The balance includes office and general supplies and services payments of Kshs.43,021,517

out of which an amount of Kshs.481,853 is reimbursement to different staff members for money used to buy general office supplies and services. However, review of records revealed that the items could have been procured by the procurement department.

In the circumstances, the propriety of the expenditure of Kshs.481,853 could not be confirmed.

248. Personalization of Development Projects

During the year under review, the County Executive through funds allocated for development undertook the construction, rehabilitation, overhaul and maintenance of various development projects which included market sheds, boda boda sheds, boreholes, floodlights, streetlights and roads. The projects were carried out by various suppliers and completion certificates were issued out upon completion. However, field verification revealed that the projects bore pictures and branding of the area Ward MCA despite the projects being funded by public funds.

In the circumstances, the propriety of the branding of projects expenditure could not be confirmed.

249. Non-Compliance with the Law on Fiscal Responsibility – Wage Bill

The statement of receipts and payments reflects revenue totalling to Kshs.6,479,091,829 and compensation of employees' payments totalling to Kshs.2,712,761,855. The compensation of employees' costs constituted forty-two percent (42%) of the total receipts of the County Executive for the year under review contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015. The Regulation provides that the costs should not exceed 35% of the County Executive's total revenue.

In the circumstances, Management was in breach of the law.

250. Irregular Payment of Acting Allowances

The statement of receipts and payments reflects compensation of employees expenditure of Kshs.2,712,761,855 as disclosed in Note 11 to the financial statements. However, review of the payroll provided for audit revealed that three (3) officers, acted for a period of more than six (6) months contrary to C.14(1) of Human Resource Policies and Procedures Manual for the Public Service which states that when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary. Acting allowance will not be payable to an officer for more than six (6) months.

Further, three (3) officers drew special duty allowance for more than six (6) months contrary to C15(4) of Human Resource Policies and Procedures Manual for the Public Service which states that Special Duty Allowance will not be payable to an Officer for more than six (6) months.

In the circumstances, Management was in breach of the Manual.

251. Non-Compliance with the One Third of Basic Salary Rule

Review of the payroll for June, 2021 revealed that net salary payments for two hundred and fifty-one (251) employees were below the one-third statutory minimum contrary to Section 19(3) of the Employment Act No.11 of 2007. The law provides that deductions made by an employer from the wages of an employee at any one time shall not exceed two-thirds of such wages.

In addition, thirteen (13) out of the two hundred and fifty-one (251) employees, had committed over and above their total earnings leaving them with negative net pays.

In the circumstance, Management was in breach of the law.

252. Irregular Payment of Special Duty Allowances

The statement of receipts and payments reflects compensation of employees expenditure of Kshs.2,712,761,855 as disclosed in Note 11 to the financial statements. Included in the expenditure is an amount of Kshs.616,360 paid as special duty allowance which includesan amount of Kshs.90,153 and Kshs.77,481 paid to two officers as duty allowances. The posts were more than two grades higher than their substantive grades. This was contrary to C.15 (3) of Human Resource Policies and Procedures Manual for the Public Service May, 2016 which states that Officers shall not be called upon to perform duties of a post that is more than two (2) grades higher than the officer's substantive grade.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

253. Inactive Audit Committee

Review of records revealed that the County Executive had an Audit Committee in place, which was appointed on 23 October, 2018. However, the individual appointment letters of the members were not provided for audit verification.

Further, contrary to Regulation 159(2) of the Public Finance Management (County Governments) Regulations, 2015, the Committee did not publish an annual report on the review of the independence, performance and competence of the Internal Audit Unit.

In the circumstances, the existence of effective overall governance stystem could not be confirmed.

254. Weaknesses in Internal Audit Unit

Review of the operations of the Internal Audit Unit revealed that the Unit had only one officer and lacked facilitation to ensure that it was able to effectively discharge its mandate. This was contrary to Regulation 155(2)(b) of the Public Finance Management (County Governments) Regulations, 2015, which requires the Accounting Officer to facilitate the Internal Audit Unit to attain its audit responsibilities.

In addition, the Unit did not have an approved annual audit work plan contrary to Regulation 163(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that internal audit planning shall be carried out on the basis of risk assessment and shall be set out in a three-year (3) Strategic Plan, on the basis of which an annual internal audit activity plan shall be developed.

In the circumstances, effectiveness of the Internal Audit Unit could not be confirmed.

255. Long Outstanding Land Rates

As similarly reported in previous years, records on revenue returns reflected uncollected land rates totalling to Kshs.358,402,889 or 96% of the County own-generated revenue collected in the year under review. There were no records or evidence indicating that Management had initiated additional measures to collect the outstanding amounts.

In the circumstances, existence of effective debt collection measures could not be confirmed.

COUNTY EXECUTIVE OF KITUI - NO.15

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

256. Inaccuracies in the Financial Statements

256.1 Differences Between Financial Statements and Integrated Financial Management Information System (IFMIS) Balances

Review of the financial statements balances and the trial balance generated from IFMIS revealed several variances as detailed below:

Component	Financial Statements (Kshs.)	Trial Balance (IFMIS) (Kshs.)	Difference (Kshs.)
Exchequer Releases	10,135,143,499	9,899,086,261	236,057,238
Proceeds from Domestic and Foreign Grants	7,668,969	0	7,668,969
County Generated Receipts	316,244,636	326,450,310	(10,205,674)
Transfers from Other Government Entities	420,933,885	0	420,933,885
Returned CRF Issues	818,657,701	132,210,597	686,447,104
Compensation of Employees	4,296,737,801	4,262,309,316	34,428,485
Social Security Benefits	0	13,987,623	(13,987,623)
Use of Goods and Services	1,721,355,906	1,479,498,275	241,857,631
Subsidies	87,662,213	87,647,890	14,323
Transfers to Other Government Units	791,841,400	0	791,841,400
Other Grants and Transfers	508,462,408	495,007,785	13,454,623
Acquisition of Assets	3,408,930,634	3,084,325,388	324,605,246
Bank Balances	1,073,131,351	177,171,387	895,959,964
Provisions	0	9,899,086,261	(9,899,086,261)
Accounts Receivables-Outstanding Imprest & Clearance accounts	13,768,202	182,434,708	(168,666,506)
Accounts Payable – Contractor Retention Money	226,884,299	982,904,421	(756,020,122)
Fund Balance b/f	818,657,701	(58,119,547,378)	(58,938,205,079)

No reconciliation was provided to explain the variances. Further, the identification of provisions totalling to Kshs.9,899,086,261 in IFMIS was not provided or explained.

In the circumstances, the accuracy and completeness of the above balances could not be confirmed.

256.2 Inaccuracies in Comparative Balances

Note 1.3(1) to the financial statements under other important disclosures reflects a balance brought forward in respect of pending accounts payable of Kshs.1,037,781,032 which differs from an amount of Kshs.1,528,787,185 confirmed from the prior year audited financial statements.

Further, Note 1.3(2) and Note1.2(3) reflect nil balance and an amount of Kshs.21,818,861 as the balance brought forward for pending staff payables and other pending payables respectively against balances of Kshs.9,315,895 and Kshs.117,817,322 confirmed from the prior year financial statements for the two accounts. The variances were not reconciled.

In the circumstances, the accuracy and completeness of the comparative balances for pending bills could not be confirmed.

256.3 Misclassified Expenditure on Routine Maintenance of Other Assets

The statement of receipts and payments and as disclosed in Note 12 to the financial statements reflects an amount of Kshs.43,873,352 on routine maintenance of other assets. The expenditure includes off-system payments relating to hospitals totalling to Kshs.12,669,498. However, review of the supporting schedule of off-systems payments provided revealed that other payments for routine maintenance (other assets) amounting to Kshs.8,857,076 relating to hospitals were classified as other current transfers, grants and subsidies. No explanation was provided for the inconsistencies in the classification.

In the circumstances, the expenditure on routine maintenance of assets is misstated in the financial statements.

256.4 Misclassified Expenditure on Purchase of Reusable Masks

The statement of receipts and payments and as disclosed in Note 17 to the financial statements reflects expenditure of Kshs.3,408,930,634 in respect to acquisition of assets. Included in the expenditure is an amount of Kshs.5,499,975 relating to purchase of reusable masks which was irregularly charged to other infrastructural civil works.

In the circumstances, the expenditure on masks was irregularly charged to acquisition of assets in the financial statements.

256.5 Misclassified Expenditure on Department of Health

Review of payment vouchers for the Department of Health revealed that expenditures totalling to Kshs.29,752,278 were committed as emergency medical services and purchase of medical equipment but actual payments were charged to other infrastructure and civil works for purchase of generators.

In the circumstances, the accuracy and classification of the expenditure of Kshs.29,752,278 could not be confirmed.

257. Inaccuracies in County Own Generated Receipts

The statement of receipts and payments and as disclosed in Note 9 to the financial statements reflects County own generated receipts of Kshs.316,244,636. However, the amount differs from the receipts of Kshs.326,450,311 confirmed from the schedules provided resulting to a variance of Kshs.10,205,675 which was explained as amount advanced to revenue collection staff. However, Management did not provide explanation as to why the revenue was advanced to the staff instead of being banked intact as required by law. In addition, no evidence was provided to demonstrate recoveries from the concerned staff. Review of records showed that this amount represented unbanked and unaccounted for revenue collected through point of sale gadgets through a revenue system and the actual amount from the point of sale report amounted to Kshs.11,476,042 and not Kshs.10,205,675 as explained.

In the circumstances, the regularity and accuracy of receipts amounted to Kshs.11,476,042 could not be confirmed.

258. Failure to Observe Cut-Off Procedures

The statement of receipts and payments reflects an amount of Kshs.11,698,648,689 and Kshs.10,814,990,363 in respect to total receipts and total payments respectively and a resultant net surplus amounting to Kshs.883,658,326. However, review of the cashbooks revealed that, receipts and payments amounting to Kshs.2,073,067,631 and Kshs.2,003,487,250 were received and incurred respectively, in the month of July, 2021 which is outside the year under review.

In the circumstances, the accuracy and cut off of the statement of receipts and payments could not be confirmed.

259. Undisclosed Revenue Arrears

The County Executive utilizes a Local Authority Integrated Financial Operation Management System (LAIFORMS). However, review of the LAIFORMS report, revealed that revenue arrears totalling to Kshs.435,461,858 were outstanding but was not disclosed in the financial statements. Management explained that part of the amounts may not represent actual revenue collectable and there was need to verify and reconcile the same. However, reconciliations were not provided and efforts put in place towards collection of the outstanding revenue were not demonstrated.

In the circumstances, the accuracy and completeness of the County own generated receipts could not be confirmed.

260. Unsupported Expenditure on Routine Maintenance

The statement of receipts and payments and as disclosed in Note 12 to the financial statements reflects use of goods and services expenditure of Kshs.1,721,355,906 . This amount includes routine maintenance of motor vehicles and other transport equipment expenditure of Kshs.60,565,442 out of which, an amount of Kshs.2,250,124 was paid to a dealer. However, supporting documents were not provided.

In the circumstances, the accuracy and regularity of the expenditure of Kshs.2,250,124 could not be confirmed.

261. Unsupported Prior Year Adjustments

The statement of assets and liabilities and as disclosed in Note 25 to the financial statements reflects prior year adjustments of Kshs.842,300,773 as at 30 June, 2021. The balance includes an adjustment of Kshs.23,643,073 which was not supported.

In the circumstances, the accuracy and completeness of the prior year adjustments totalling to Kshs.23,643,073 could not be confirmed.

Other Matter

262. Decline in County Own Generated

The summary statement of appropriation reflects that the County Executive had budgeted to collect an amount of Kshs.600,504,423 from own source but it realized a total of Kshs.316,244,636 resulting to a shortfall of Kshs.284,259,787 or 47%. In addition, the County Executive realized an amount of Kshs.316,244,636 from County own generated receipts which represented a decline of Kshs.92,040,528 or 23% from Kshs.408,285,164 realized in the previous year.

Additionally, a detailed analysis of expenditures revealed that the County Executive incurred an ampunt of Kshs.102,356,454 in rental of produced assets an increase of about 847% from the previously reported an amount of Kshs.10,804,285.

No satisfactory explanation was provided for the significant deviations on own generated revenue and expenditure on rental of produced assets.

263. Unresolved Prior Year Matters

Various audit issues included in the previous year audit report remained unresolved as at 30 June, 2021. However, Management has not given satisfactory reasons for the delay in resolving the outstanding prior year audit matters.

264. Long Outstanding Pending Bills

Note 1.3(1,2,3) under other important disclosures reflects pending bills of Kshs.993,602,049, Kshs.1,195,000 and Kshs.94,570,295 in respect to pending accounts payables, staff payables and other pending payables respectively, all totalling to

Kshs.1,089,367,344. Examination of Annex 2 to the financial statements for pending accounts payable revealed that several pending bills had been outstanding for long time with some dating back to 2015/2016 financial year. This implies that the County Executive has failed to prioritize settlement of pending bills and they were not treated as a first charge in subsequent years. No explanation was provided for failure to comply with the law and the various circulars from Controller of Budget and The National Treasury on settlement of pending bills.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

265. Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

The statement of receipts and payments reflects total revenue of Kshs.11,698,648,689 and total expenditure of Kshs.10,814,990,363. Included in the expenditure is an amount of Kshs.4,296,737,801 for compensation of employees which represents 37% of the total revenue. This was contrary to Regulation 25(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires that compensation of employees shall not exceed thirty-five (35) percent of the County Executive's total revenue.

In the circumstances, Management was in breach of the law.

266. Non-Compliance with the Law on Staff Ethnic Composition

During the year under review, the total number of employees was 3,605 out of whom 3,045 (or 84%) of the total number were members of the dominant ethnic community in the County. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, “all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community”.

In the circumstances, Management was in breach of the law.

267. Non-Compliance with the One-Third Basic Salary Rule

Review of the payroll for the month of June, 2021 revealed that, net pay for 259 employees were less than a third of their basic pay which is a contravention of the provisions of Section 19(3) of the Employment Act, 2007 which stipulates that total amount of all deductions made by an employer from the wages of employee at any one time shall not exceed two thirds of such wages.

In the circumstances, Management was in breach of the law.

268. Irregular Recruitment of Employees

Review of records revealed that, during the year, the County Executive employed three (3) employees namely, a Municipal Manager, Director of Supply Chain Management and

County Solicitor. However, Management did not provide documents to show how the recruitment was undertaken.

In the circumstances, it has not been possible to confirm the competitiveness and fairness of the recruitment process.

269. Irregular Award of Tenders

Review of operations of the Department of Environment and Natural Resources revealed that a contractor was awarded a contract for installation of a solar pump and paid an amount of Kshs.3,386,549. However, the contractor was not registered as a supplier for the year under audit.

In the circumstances, the propriety and competitiveness of procurement process could not be confirmed.

270. Lack of Status Report on County Legal Cases

The statement of receipts and payments and as disclosed in Note 12 to the financial statements reflects other operating expenses amounting to Kshs.179,876,785. Included in this expenditure is an amount of Kshs.18,291,584 which the County Executive incurred on legal services. However, Management did not provide a status report on the on-going legal cases.

In the circumstances, the propriety of the legal services expenditure of Kshs.18,291,584 could not be confirmed.

271. Stalled Projects

Physical verification of projects carried out on 26 November, 2021 revealed that several construction projects with a contract price of Kshs.433,920,493 under the Department of Health had stalled and contractors abandoned sites after receiving payments totalling to Kshs.95,896,378.

In the circumstances, value for money realized from resources applied on the stalled projects totalling Kshs.95,896,378 could not be confirmed.

272. Lack of Training Need Assessment

Note 12 to the financial statements reflects training expenses totalling to Kshs.206,107,472. However, no evidence was provided to show that the County Executive undertook Training Needs Assessment which should have informed the trainings undertaken.

In the circumstances, the value for money realized from the expenditure of Kshs.206,107,472 incurred on training scould not be confirmed.

273. Lack of an Approved Staff Establishment

The County Executive did not have an approved staff establishment in place. It was therefore not possible to confirm whether the current staffing level was optimal. This is contrary to County Public Service Human Resource Manual 2013 Section B 6(3) which states that County Executive should have appropriate organizational structure in each Department, optimal staffing level, schemes of service and career progression guidelines.

In the circumstances, Management was in breach of the law.

274. Irregular Expenditure on Council of Governors

The statement of receipts and payments and as disclosed in Note 12 to the financial statements reflects an expenditure of Kshs.1,721,355,906 in respect to use of goods and services. Included in this amount is other operating expenses totalling to Kshs.179,876,785 which comprises of an amount of Kshs.1,250,000 paid to Council of Governors. However, the Council is established in law as an independent entity with its own budget.

In the circumstances, the propriety of expenditure of Kshs.1,250,000 paid to Council of Governors could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

275. Lack of a Risk Management Policy and Disaster Recovery Plan

Review of records revealed that the County Executive did not have in place a Risk Management Policy and a Disaster Recovery Plan. This was contrary to the provisions of Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to develop risk management strategies, which include fraud prevention mechanism and internal controls that builds robust business operations.

In the circumstances, the County Executive may be exposed to losses and interruption of operations.

276. Weaknesses in Inventory Management

Review of the inventory management system at the County's Departments revealed the following anomalies:

i. The County Treasury did not have a consumable store. It was noted that supplies were placed on the floor of small corridors without proper documentation on stock receipts and issues.

ii. The Department of Environment and Natural Resources did not maintain bin cards to record stores movement.

iii. The Department of Administration and Coordination of County Affairs did not have an inventory store for supplies and stores records were not updated.

iv. In the Lands and Physical Planning Department, stock control cards had not been updated.

v. Supplies and store items in the Department of Agriculture and Water were stored in dirty and untidy rooms.

In the circumstances, existence of an effective management of inventory could not be confirmed.

COUNTY EXECUTIVE OF MACHAKOS - NO.16

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

277. Difference Between Financial Statements and Integrated Financial Management Information System (IFMIS) Ledger

The financial statements reflect amounts which differs with the Integrated Financial Management Information System (IFMIS) ledger amounts. The variances were as tabulated below:

Item	Note	Financial Statement Balance (Kshs.)	IFMIS Ledger Balance (Kshs.)	Variances (Kshs.)
Exchequer Releases	Note 1	8,804,699,313	5,000,000	8,799,699,313
Compensation of Employees	Note 11	5,602,656,468	1,400,775,166	4,201,881,302
Use of Goods and Services	Note 12	1,107,121,078	287,097,834	820,023,244
Acquisition of Assets	Note 17	1,187,849,365	296,871,469	890,977,896
Bank Balances	Note 21A	1,173,251,315	(1,828,449,455)	3,001,700,770
Cash Balances	Note 21B	0	(650,528,182)	650,528,182
Accounts Receivables	Note 22	0	510,004,655	(510,004,655)
Accounts Payable	Note 23	146,792,047	52,394,348,476	(52,247,556,429)
Fund Balances Brought Forward	Note 24	913,751,861	(52,263,619,544)	53,177,371,405

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

278. Inaccuracies in Cash and Cash Equivalents

The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.1,173,251,315 as disclosed in Note 21A to the financial statements. Review of supporting bank reconciliations statements and cashbooks revealed that the balances

included receipts and payments made in July, 2021 totalling to Kshs.2,612,147,616 and Kshs.3,554,210,415 respectively.

In the circumstances, the cut off and accuracy of cash and cash equivalents balance of Kshs.1,173,251,315 could not be confirmed.

279. Unsupported Payments

The statement of receipts and payments reflects use of goods and services expenditure amounting to Kshs.1,107,121,078. The expenditure includes an expenditure of Kshs.23,618,845 incurred on routine maintenance – vehicles and other transport equipment. Review of expenditure incurred on repairs of motor vehicles revealed payments amounting to Kshs.2,384,317 which were not supported by a pre-inspection report indicating required repairs of the motor vehicles and post repair inspection certificates or reports.

In the circumstances, the accuracy of the expenditure on repairs of motor vehicles amounting to Kshs.2,384,317 could not be confirmed.

280. Undisclosed Assets Inherited from Defunct Local Authorities

Annex 5 to the financial statements containing a summary of the non-current assets register reflects an amount of Kshs.13,711,418,924 in respect of historical cost of assets owned by the County Executive. However, the balance excluded assets of undetermined value which were inherited from defunct local authorities in the County. Further, the County Executive did not have in its possession title deeds, logbooks and other ownership documents for parcels of land, motor vehicles and other property for the inherited assets.

In the circumstances, the accuracy and ownership of the assets balance of Kshs.13,711,418,924 could not be confirmed.

281. Misstatement in Returned CRF Issues

The statement of receipts and payments and as disclosed in Note 10 to the financial statements reflects an amount of Kshs.521,756,805 in respect of returned County Revenue Fund (CRF) issues. Included in the amount is bank balance of Kshs.433,461,904 representing County Revenue Fund Account as at 30 June, 2020. However, County Revenue Fund account balance does not form part of the returned CRF issues in accordance with Section 136 (1) and (2) of the Public Finance Management Act, 2012. Further, the statement of receipts and payments is overstated on the receipts side by an entry of County Revenue Fund returned to CRF issues totalling Kshs.433,461,904.

In the circumstances, the accuracy and regularity of returned CRF issues and total receipts for the year could not be confirmed.

282. Lack of Land Ownership for Water Facilities

The statement of receipts and payments and as disclosed in Note 17 to the financial statements reflects an amount of Kshs.1,187,849,365 in respect of acquisition of assets. The expenditure includes two payments amounting to Kshs.117,569,359 and Kshs.11,200,000 in respect of construction of Kyeleni earth dam and Muri Farm water treatment plant whose contracts were awarded during the year for a sum of Kshs.117,569,358 and Kshs.18,057,600 respectively.

Further, during the year under review, the County Executive drilled a total of nineteen (19) boreholes. Documents provided in respect of the dams revealed that Management had over the years constructed 4 water treatment facilities, 374 earth dams and sunk 633 boreholes. However, details and documents such as plot numbers and title deeds for the land for the water facilities were not provided for review. Management explained that these facilities were on private land.

In the circumstances, the existence, ownership and value for money incurred on the projects could not be confirmed.

283. Unsupported Legal Expenses

The statement of receipts and payments and as in Note 12 to the financial statements reflects other operating expenses amounting to Kshs.293,767,716. The amount includes payments of Kshs.175,768,131 incurred on legal expenses and related costs.

However, the County legal office engaged the services of several firms to provide legal services without the approval of the County Executive Committee contrary to The County Attorney Act, 2020.

In addition, the payments were not supported with contracts , documents showing how the firms were identified, fee notes and invoices to support the fees raised and paid to the firms during the year under review.

In the circumstances, the accuracy and regularity of legal expenses amounting to Kshs.175,768,131 could not be confirmed.

Other Matter

284. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual amount on comparable basis amounting to Kshs.13,488,571,001 and Kshs.12,042,687,076 respectively resulting in a shortfall of Kshs.1,445,883,924 or 11% of the approved budget. Similarly, Management had actual expenditure totalling to Kshs.11,026,870,945 against the budgeted amount of Kshs.13,488,571,001, resulting in an under performance of Kshs.2,461,700,056 or 18%.

The revenue shortfall and expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

285. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management had not resolved the issues or given satisfactory explanation for the delay.

286. Pending Bills

Notes 7.9 (1), (2), and (3) to the financial statements on other important disclosures reflect pending bills amounting to Kshs.2,601,430,721, Kshs.106,588,035 and Kshs.93,119,550 in respect to accounts payable, staff payables and other payables respectively, all totalling to Kshs.2,801,138,206. Review of supporting Annexures 2, 3 and 4 to the financial statements revealed bills totalling to Kshs.567,799,600 which had been outstanding for more than one year. Further, the annexures reflect retirement benefits contributions amounting to Kshs.28,051,833 recovered from employees which were yet to be remitted to the relevant statutory bodies. No satisfactory explanation was given for failure to prioritize the pending bills during the year considering that the County Executive had a bank balance of Kshs.1,173,251,315 as at 30 June, 2021.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

287. Irregular Procurement of Stadium Works

During the year under review, the Department of Tourism Sports and Culture awarded a tender for construction of a proposed basketball pitch at Kenyatta Stadium to a contractor at contract sum of Kshs.2,795,426. Review of procurement records revealed no evidence that at least three (3) persons submitted quotations for the works and an evaluation process was conducted before the award. In addition, the contractor had submitted a bid of Kshs.2,333,000 but was awarded a contract sum of Kshs.2,795,426 resulting in an unexplained difference of Kshs.462,426.

Further, the Bills of Quantities for the works, quotation and the evaluation reports were not provided for audit.

In the circumstances, the propriety of the expenditure could not be confirmed.

288. Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

The statement of receipts and payments reflects an expenditure amounting to Kshs.5,602,656,468 on compensation of employees representing 47% of the total receipts of Kshs.11,026,870,945 during the year. This is contrary to the provisions of

Regulation 25 1(b) of the Public Finance (County Governments) Regulations, 2015 which limits expenditure on wages and benefits to not more than 35% of the total revenue for the year.

In the circumstances, Management was in breach of the law.

289. Irregular Probation Terms of Service

Review of the Integrated Personnel Payroll Database (IPPD) indicated that the County Executive had a total of 6,743 employees as at 30 June, 2021. The employees included one hundred and thirty (130) staff members who were serving on probation terms despite having worked for periods ranging from twenty-one (21) months to thirty-four (34) months. This was contrary to provisions of Part II Section B of the Human Resource Policies and Procedures Manual for the Public Service, 2016 on appointment of staff on probation and pensionable terms

In the circumstances, Management was in breach of the law.

290. Non-Compliance with Law on Staff Ethnic Composition

During the year under review, the total number of employees at the County Executive was 6,743 out of whom 5,513 or 87% were members of the dominant ethnic community in the County. In addition, thirty-two (32) employees were recruited during the year, out of whom, twenty-three (23) or (72%) were from the same dominant ethnic community. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, “all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community”.

In the circumstances, Management was in breach of the law.

291. Failure to Meet Recruitment Thresholds for Persons with Disabilities

During the year under review, the County Executive recruited thirty-two (32) employees. However, no person living with disability was considered. This is contrary to the provisions of Section B.23 (2) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 that sets a threshold of 5% of positions to be filled by persons with disabilities.

In the circumstance, Management was in breach of the law.

292. Late Remittances of Statutory Deductions

Review of the payroll records revealed that a total of Kshs.759,808,119 was deducted from employees’ salaries in respect of National Hospital Insurance Fund (NHIF), National Social Security Fund (NSSF) and Pay-As-You-Earn (PAYE). However, information on remittances of the deductions to the relevant institutions was not provided for audit. Further, details of deductions of Higher Education Loans Board (HELB), Lap Trust, Lap

Fund and service gratuity were also not provided for audit. This was contrary to the respective statutory laws.

In the circumstances, Management was in breach of the law.

293. Gaps in the Use of IFMIS E-Procurement Platform

Review of the procurement process and documents during the year revealed that the County Executive procured goods and services amounting to Kshs.1,035,069,120 through the IFMIS e-procurement module. Review of the procurements revealed the following anomalies:

i. The procurement plan for the year was not prepared through the e-procurement system.

ii. The participating bidders were not invited for tender opening as the system did not allow bidders to participate in opening tenders.

iii. The system combined both tender opening and tender evaluation processes and the accounting officer would appoint only one committee to handle both functions contrary to Section 78 (1) of the Public Procurement and Asset Disposal Act, 2015.

iv. The Management did not have digital signature certificates of the Accounting Officer, the Head of Procurement and Opening and Evaluation Committee Members.

v. The e-procurement system was not documented and the processes and controls were not defined.

In the circumstances, Management was in breach of the law.

294. Project Implementation and Status

294.1 Stalled Projects

294.1.1 Construction of Storey Buildings

The County Executive tendered for designing and construction of an 11 storey thin and tall of 20m x 20m building including a helipad and a 12 storey thin and tall of 20M x 20M building. The tenders for the works were advertised in 2018 as expression of interest in two lots comprising lot 1 for 11 storey thin and tall of 20m x 20m including a helipad and lot 2 for 12 storey thin and tall of 20M x 20M for an amount of Kshs.399,999,999 and Kshs.394,999,999 respectively. Works for construction of an 11-storey thin and tall of 20m x 20m building including a helipad were to be completed in 58 weeks from the contract date.

Review of the Projects Implementation Status Report and physical verfification on 14 October, 2021 revealed the following anomalies:

i. Works for construction of an 11-storey thin and tall of 20m x 20m building including a helipad were to be completed in 58 weeks from the contract date.The project was at the foundation level and no activities had been undertaken since 2018. Further, the contractor who had had been paid a total of Kshs.80,551,782 had abandoned the site.

   Further, review of records for the works revealed that on 20 March, 2019, the Chief Officer, Ministry of Transport and Public Works gave a notice of default to the contractor for falling behind work schedule which was followed by another one on 18 December, 2020. No further action had been taken since then.

   In addition, the contractor's performance bond issued by an insurance company on 10 February, 2020 expired on 9 February, 2021.

ii. Works for construction of a 12-storey thin and tall Building of 20Mx20M was to be completed in 58 weeks from the contract date. The project progressed to 7 floors, an estimated completion level of 45%, after which the contractor abandoned site. Management indicated that there were efforts in place to complete the project.

294.1.2 Construction of a Commercial Development Centre

The contract for proposed construction of a commercial (mixed use) development centre was awarded to a local company for a contract sum of Kshs.55,495,944 on 1 March, 2018. The project commenced on 4 May, 2018 and was to be completed by 30 September, 2018. A site visit on 14 October, 2021 revealed that the project was still at the foundation level and no activities had taken place since 2019. Further, review of payment records indicated that a 10% advance payment amounting to Kshs.5,549,594 was made on 10 April, 2018 followed by an amount of Kshs.2,975,379 in respect of interim payment certificate (IPC) No.1 dated 21 November, 2018. Further, another payment of Kshs.2,398,931 for IPC No.2 was made on 19 April, 2019 bringing total payments to Kshs.10,923,904.

294.1.3 Construction of Community Recreation Centre

Works for construction of a community recreation centre involved construction of passage and walkways, public toilets, and a restaurant next to the swimming pool. The works were awarded to construction company on 1 March, 2018 at a contract sum of Kshs.55,435,741. The project commenced on 4 May, 2018 and was due for completion on 30 September, 2018. However, a site visit on 14 October, 2021 revealed that the project was at the foundation level and the contractor had abandoned the site with level of completion estimated to be 10%. Further, review of records revealed that, the contractor was paid a total of Kshs.5,543,574 as advance payment (10%) and an additional amount of Kshs.3,582,385 for value of work done as per certificate No. 1 which was paid on 17 February, 2020.

294.1.4 Contract for Construction of Public Area Facility

The Public Area Facility contract comprised construction of a swimming pool, a public beach, an amphitheater, changing and washrooms and was awarded to a construction

company at a contract sum of Kshs.37,585,666 in March, 2018. The project was to be completed in 26 weeks from the commencement date. However, completion period was initially extended to 11 March, 2020 and later, the contractor requested for a further extension of time to 30 September, 2021, which had not been approved. Physical inspection of the project in October, 2021 revealed that the contractor had abandoned the site whose completion was indicated as 70% in Project Status Report.

294.1.5 Construction of Executive Washrooms at Matuu County Office

The construction of executive washrooms at Matuu County Office was awarded on 27 June, 2019 to a local company at a contract sum of Kshs.2,877,150 and the project was to be completed in 26 weeks from the contract date. Physical inspection of the project in October, 2021 revealed that the contractor had abandoned the site and project was at 40% completion level according to the Project Status Report. There was no evidence indicating that the contract period was extended or a request for extension had been sought by the contractor.

294.1.6 Construction of Staff Houses in Matuu Sub-county

The contract for the staff houses was awarded on 27 June, 2019 at a contract sum of Kshs.12,545,783 with the contract period indicated as 26 weeks. The contractor submitted the first payment request of Kshs.7,521,202 on 16 December, 2019. However, the contract period had lapsed before completion as indicate in Project Status Report, which lists the project to have been at 60% level of completion. There was no evidence of extension of time having been sought and granted.

In the circumstances, the value for money for funds spent on the above projects could not be confirmed.

294.2 Termination of Contracts

Review of contract management documents revealed the several contracts in the Department for Water, Irrigation and Natural Resources were terminated during the year before projects were completed as enumerated below:

294.2.1 Mumbuni Earth Dam - Ikalassa Sub-county

The contract for construction of the dam was awarded to a local company on 24 September, 2018 at a contract sum of Kshs.75,156,480 and the contract period was one year. However, the contractor abandoned site when the project was at 90% level of completion and the contract terminated in September, 2020. No evidence was provided to show whether there were plans to complete the project.

294.2.2 Muthetheni Water Treatment Works

The contract for construction of Muthetheni Water Treatment Works in Muthetheni Ward was awarded on 25 May, 2019 at a contract sum of Kshs.8,259,875 under a one year contract period. However, the contractor abandoned site and the contract was subsequently terminated in September, 2020 when value of work done was estimated to

have cost Kshs.3,850,000 or 47% as per valuation certificate No. 1 of 25 June, 2019. Management did not provide evidence of existence of plans to ensure that the project would be completed.

In the circumstances, the public may not get value for money as planned on completion of the projects.

294.3 Boreholes and other Water Facilities

The statement of receipts and payments and as disclosed in Note 17 to the financial statements reflects the overhaul and refurbishment of construction and civil works amounting to Kshs.142,230,207. The works were executed under the Department of Water, Irrigation and Natural Environment. Included in the expenditure is an amount of Kshs.57,477,960 incurred on installation of solar pumps in boreholes, and an amount of Kshs.38,370,809 on maintenance of water facilities within the County. Review of supporting documents revealed the following anomalies:

294.3.1 Vandalized Boreholes

Physical verification revealed that 15 borehole sites had been vandalized during the year and solar panels and water pumps stolen. No evidence was provided by the Management to indicate measures which were in place to secure boreholes installations from vandalism.

In the circumstances, the public did not obtain value for money from the above projects.

294.3.2 Unsustainable Electricity Costs on Boreholes

Review of records relating to borehole operations and electricity costs revealed that the County Executive had 494 operational boreholes out of which 99 were powered by electricity, 391 by solar panels and four (4) powered by diesel generators. Further, the records reflected that 14 boreholes of the electricity powered boreholes had been power disconnected.

The County Executive paid an amount of Kshs.67,645,800 as electricity bills. However, the residents supplied with the water were not paying for the water and thus, all the operational costs were being borne by the County Executive, which may not be sustainable.

In the circumstances, the value for money on the boreholes could not be confirmed.

294.3.3 Non-Operational Boreholes

Review of documents relating to boreholes revealed that the County Executive had a total of 139 boreholes which were not operational due to various reasons as detailed below:

Reasons for Non-Functional	No. of Boreholes
Not powered/Equipped	67
In need of Repairs	56
Dry Boreholes	12
On-going	4
Total	**139**

In the circumstances, the residents were not receiving value for money spent in drilling and equipping the non-operational boreholes.

295. Grounded Motor Vehicles

Review of County Executive vehicle records revealed that sixteen (16) vehicles attached to the Department of Water, Irrigation, Environment and Natural Resources were grounded. In addition, a vehicle belonging to the County Executive, was reported to have been stolen. However, documents regarding insurance claim and repayment process were not provided for audit.

Further, three (3) drilling rigs and test pumping units' were grounded which greatly hampered the ability of the Ministry to continue drilling and test pumping boreholes in the County.

In the circumstances, the County Executive did not getting value for money from the vehicles and their conditions continue to deteriorate.

296. Unbudgeted Expenditure

Review of projects implemented by the County Executive revealed that four (4) projects costing Kshs.23,733,058 implemented by the County Executive during the year under review did not adhere to approved budget provisions as shown below:

No.	Department	Description	Remarks	Amount (Kshs.)
1	Agriculture	Kenya Climate Smart Agriculture Project (KCSAP)	Not budgeted	3,329,580
2	Trade	Legal Expenses	Over expenditure	1,967,131
3	Administration and Decentralized Units	ICT Equipment	Not budgeted	2,238,650
4	Administration and Decentralized Units	Civil works	Over expenditure	16,197,697
	Total			**23,733,058**

Management did not provide explanations for failure to abide by the approved budget. Further, the source of funds for the unbudgeted projects and amounts was not explained contrary to the Public Finance Management Act, 2012.

In the circumstances, Management was in breach of the law.

297. Damages Awarded by Courts Due to Defaulted Payments

During the year under review, the County Executive paid an amount of Kshs.70,000,000 and Kshs.30,000,000 to two law firms as settlement of claims awarded by Court. Review of records revealed that a total of Kshs.408,453,997 was awarded by the Courts against the County Executive in favor of two advocate firms as follows:

i. In the first payment, the firm had made a claim against the County Executive for a principal sum of Kshs.301,211,242 for services rendered whose invoices had not been settled since 2013. The complainant was awarded a sum of Kshs.279,628,150 out of which an amount of Kshs.70,000,000 was paid during the year under review while the balance was to be paid in three instalments and be cleared by December, 2019. However, at the time of the audit, in November, 2021, an amount of Kshs.209,628,150 was still outstanding.

ii. The second payment related to another law firm's claim against the County Executive for services rendered and remained unpaid since 2015. The Court awarded the complainant a sum of Kshs.71,095,942 and accrued interest at the rate of 14% totalling to Kshs.57,729,905 on 19 November, 2020, bringing the total award to Kshs.128,825,847. A payment of Kshs.30,000,000 was made on 4 February, 2021 to the firm during the year under review leaving the balance unsettled.

In the circumstances, the propreity of the payments could not be confirmed.

298. Irregular Procurement Tricycles

During the year under review, the Chief County Engineer - Department of Transport, Housing and Public Works requisitioned for twelve (12) tricycles popularly referred to as tuk-tuks, to enhance efficiency in repairing potholes in the paved roads within the County. The tuk-tuks were acquired at a unit cost of Kshs.519,500 all totalling to Kshs.6,234,000. However, the need for the tricycles and relevance regarding the intended use could not be confirmed. Further, it was not clear what criteria informed the County Executive to settle on the tricycles as means of transporting materials for repairing of potholes.

In the circumstances, the effectiveness and value for money of expenditure amounting to Kshs.6,234,000 incurred on the tricycles could not be confirmed.

299. Expenditure on a Jaw Crusher

The statement of receipts and payments and as disclosed in Note 17 to the financial statements reflects an amount of Kshs.239,587,601 in respect of construction and civil works. The expenditure includes an amount of Kshs.4,120,380 incurred on purchase of a

gate and chain link fencing around a jaw crusher site. However, physical verification of the project revealed the following anomalies:

i. A chain link fence and metal gate had been vandalized

ii. The identified site was near a primary school and was therefore not appropriate for the intended use due to the noise and air pollution. Further, no environmental impact assessment was undertaken before the site was identified.

iii. The acquired jaw crusher had not been installed by the time of the audit and was lying idle in the compound.

In the circumstances, value for money may not be realized from the expenditure of Kshs.4,120,380 incurred on the Jaw crusher.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

300. Lack of Information Communication Technology (ICT) Policy

Review of use of Information Communication Technology (ICT) at the County Executive revealed that there was no documented ICT Policy and an ICT Strategic Plan to provide guidance on use of the technology. As a result, it was not confirmed whether the ICT needs identified, and investments made were aligned to the County Strategic Plan.

Further, various ICT systems which were in use at the County Executive, including revenue collection, were not integrated.

In the circumstances, the existence of effective ICT measures could not be confirmed.

301. Lack of Independent Internal Audit Function

Evaluation of the Internal Audit Function at the County Executive revealed that the officers posted to the department were also assigned operational activities which included approval of payments. As a result, the department's independence in auditing the expenditure and other oversight roles relating to evaluation of adequacy and efficiency of internal control systems and processes was impaired. This was contrary to Section 155(6) of the Public Finance Management Act, 2012 and the Public Finance (County Governments) Regulations, 2015.

In the circumstances, the existence of an effective internal control mechanisms could not be confirmed.

302. Lack of an Approved Risk Management Strategy

During the year under review, the County Executive did not have in place a risk management policy since no evidence was provided to indicate how risk assessment was undertaken during the year to identify and mitigate potential risks. Failure to put in place

a risk management strategy exposes the County Executive to losses through fraud and wastage in an event of occurrence. This was contrary to the provisions of Regulation 158. (1) of the Public Finance Management (County Governments) Regulations, 2015 which requires Accounting Officer of a County Government entity to develops risk management strategies, which include fraud prevention mechanism and develop a system of risk management and internal control that builds robust business operations.

In the circumstances, the existence of an effective risk management measures could not be confirmed.

COUNTY EXECUTIVE OF MAKUENI - NO.17

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

303. Variances Between Financial Statements and Integrated Financial Management System (IFMIS) Balances

As disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.803,260,239 being transfers to other Government units. However, the Integrated Financial Management Information Systems (IFMIS) reflects nil balance for the same expenditure. The difference has not been explained or reconciled.

In the circumstances, the accuracy and completeness of the transfers to other Government units of Kshs.803,260,239 could not be confirmed.

304. Expenditure on Stalled Project-Kamunyolo Water Earth Dam

As disclosed in Note 9 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.2,626,387,830 relating to acquisition of assets. Included in the balance is an amount of Kshs.1,564,213,042 on construction and civil work which further includes an amount of Kshs.29,714,356 being part payment for rehabilitation of Kamunyolo Water Earth Dam. Review of project documents revealed that the project was to be completed in 90 days on 18 June, 2020. However physical verification in November, 2021 revealed that the project had stalled.

In the circumstances, the regularity, completeness and value for money on the expenditure of Kshs.29,714,356 incurred on the stalled project could not be confirmed.

305. Inaccuracies in Acquisition of Non-Financial Assets

As disclosed in Note 9 to the financial statements, the statement of receipts and payments reflects acquisition of assets expenditure of Kshs.2,626,387,830. Included in this expenditure is acquisition of non-financial assets amounting to Kshs.2,606,387,830. However, Annex 4 to the financial statements reflects the additions during the year of Kshs.2,605,738,830 (excluding intangible assets) therefore resulting to an unexplained variance of Kshs.649,000. Further, casting the total of acquisition of fixed assets at Annex 4 results to a total of Kshs.2,605,738,830 and not a total of Kshs.2,606,387,830 shown.

In the circumstances, the accuracy and completeness of the acquisition of non-financial assets amounting to Kshs.2,606,387,830 could not be confirmed.

Other Matter

306. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects budgeted County own generated receipts of Kshs.1,019,949,654 and actual revenue of Kshs.527,527,341, resulting to a shortfall of Kshs.492,422,313 or 48% of the approved budget.
The under-collection of revenue impacts negatively on the achievement of the County Executive mandate on implementation of earmarked projects and service delivery to the residents.

307. Delayed Exchequer Receipts

As disclosed in Note 1 to the financial statements, the statement of receipts and payments reflects Exchequer release balance of Kshs.9,104,119,642. However, review of revenue records revealed that The National Treasury disbursed Exchequer releases amounting to Kshs.1,951,829,358 late in the month of June and July, 2021.

Therefore some of the planned programmes and activities may not have been implemented.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

308. Unremmitted Retirement Benefits Contributions

As disclosed in Note 5 to the financial statements, the statement of receipts and payments reflects compensation of employees payments of Kshs.3,450,213,647. Included the expenditure is an amount of Kshs.72,810,905 which are retirement benefit contributions deducted from the salaries of staff but not remitted to the relevant authority. This was contrary to the requirements of Section 104(1)(e) of Public Finance Management Act, 2012 on management of County debt and other obligations and Treasury Circular No. 14/2021 dated 28 October, 2021 on failure to remit retirement contributions to the relevant authority within the stipulated timeline.

In the circumstances, Management was in breach of the law.

309. Non-Compliance with the Law on Fiscal Responsibilty - Wage Bill

The statement of receipts and payments and as disclosed in Note 5 to the financial statements reflects compensation of employees' expenditure of Kshs.3,450,213,647 which was 36% of the total receipts of Kshs.9,631,646,983 for the year. The expenditure therefore exceeded the legal threshold of 35% stipulated in Section 25(1) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, Management was in breach of the law.

310. Non-Compliance with Law on Staff Ethnic Composition

Review of employees' records revealed that out of the approved establishment of 3,578 employees, 3,285 (or 92%) were from the dominant ethnic community in the County. Failure to observe ethnic diversity is contrary to Section 65(1e) of the County Governments Act, 2012, which provides that at least thirty percent of the vacant posts at entry level should be filled by candidates who are not from the dominant community in the County.

In the circumstances, Management was in breach of the law.

311. Delay in Project Implementation

The Management awarded tender for supply, testing, training and commissioning of twenty-seven (27) solar powered high mast flood lights at a contract sum of Kshs.58,085,224. The project was to be implemented in selected urban centers within Wote Municipality for a duration of 16 weeks and be completed on 10 July, 2021. Although the Management has indicated that the contract was extended by eight (8) weeks up to 16 September, 2021, the approval for extension was not provided for review.

Physical verification of the project on 19 November, 2021, revealed that only two flood lights were complete and functional. An amount of Kshs.8,915,881 was paid against interim payment certificate No.1 of 8 June, 2021 of Kshs.10,201,703. No evidence was provided to indicate the measures instituted to fast-track the completion of the project. This was contrary to the provisions of Regulation 22(1)(a) of Public Finance Management (County Governments) Regulations, 2015, which requires Accounting Officer to ensure the most effective means of achieving desired program outcomes are used.

In the circumstances, Management was in breach of the law.

312. Irregular Extension of Contract

Management awarded contract for construction of Athi-Kalawa Water Project at a contract sum of Kshs.15,892,550, out of which an amount of Kshs.14,792,550 was paid in June, 2021. The contract period was for 90 days with a completion date of 18 August, 2020. The project was however completed on 19 April, 2021, which was 8 months after the expiry of contract period. The Management did not provide approval for the contract extension for review.

Further, physical verification in November, 2021 revealed that the project was not operational due to lack of electricity although an amount of Kshs.9,126,245 was paid in May, 2021 for electricity connection. This was contrary to Section 139(2) of the Public Procurement and Asset Disposal Act, 2015, that requires an Accounting Officer, on the recommendation of evaluation committee, to approve the request for extension of contract period upon submission of a request by a certificate from the tenderer making a justification for such extension.

In the circumstances, Management was in breach of the law.

313. Irregular Payment to the Council of Governors

As disclosed in Note 6 to the financial statements, the statement of receipts and payments reflects use of goods and services balance of Kshs.2,348,764,150. Included in the expenditure is other operating expenses of Kshs.1,438,021,732 which further includes an amount of Kshs.2,000,000 being contribution for offsetting Council of Governors' expenses. This was contrary to Section 37 of the Intergovernmental Relations Act, 2012 that requires the operational costs of the Council to be funded from the allocation of the National Government.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

314. Weaknesses in Compensation of Employees

Review of payroll records revealed that the County Executive operates both manual (Excel format) payroll and Integrated Personnel and Payroll Database (IPPD) systems. The statement of receipts and payments and as disclosed in Note 5 to the financial statement reflects compensation of employees' expenditure of Kshs.3,450,213,647, which consists of an amount of Kshs.180,984,208 and Kshs.3,269,229,439 processed through manual payroll and Integrated Personnel and Payroll Database (IPPD) systems respectively. This was contrary to the provisions of Section 22 (1)(b) of Public Finance Management (County Governments) Regulations, 2015 which requires Accounting Officer to maintain effective systems of internal control and have measures to ensure their effectiveness.

In the circumstances, existenence of an effective system of control of payrolls could not be confirmed.

COUNTY EXECUTIVE OF NYANDARUA - NO.18

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

315. Inaccuracies in the Financial Statements

315.1 Compensation of Employees

The statement of receipts and payments reflects compensation of employees amount of Kshs.1,941,760,782 whereas, the statement of budget execution by programmes and sub-programmes reflects compensation of employees payments of Kshs.1,896,549,999 resulting to an unreconciled balance of Kshs.45,210,782.

In the circumstances, the accuracy and completeness of the compensation of employees balance of Kshs.1,941,760,782 could not be confirmed.

315.2 Budget Execution by Programmes and Sub-Programmes

The statement of budget execution by programmes and sub-programmes reflects an amount of Kshs.423,316 in respect to County pending bills which differs with pending bills balance of Kshs.893,028,593 reflected in Annex 2 to the financial statements resulting to an unreconciled variance of Kshs.892,605,277.

In the circumstances, the accuracy and completeness of the County pending bills balance of Kshs.893,028,593 could not be ascertained.

315.3 Statement of Cash Flows

The statement of cash flows reflects cash and cash equivalents amount of Kshs.999,305,766 which varies from the computed balance of Kshs.934,605,373 resulting to an unexplained variance of Kshs.64,700,393.

In the circumstances, the accuracy of the statement of cash flows as presented could not be confirmed.

315.4 Unsupported Adjustments

The amended financial statements reflects balances that are at variance with the original financial statements submitted for audit. However, the adjustments were not supported by journal vouchers as summarized below:

Description	Original Financial Statements Balance	Amended Financial Statements Balance	Variance
	B1	B4	B1-B4
	Kshs.	Kshs.	Kshs.
Exchequer Receipts	6,060,348,852	5,293,272,600	767,076,252
Compensation of Employees	1,939,759,579	1,941,560,782	1,801,203
Transfer to Other Government Units	721,955,388	719,481,913	2,473,475
Acquisition of Assets	1,744,688,629	1,750,366,015	(5,677,386)
Bank Balances	707,803,778	999,305,766	(291,501,988)

In the circumstances, the accuracy and completeness of the amended financial statements could not be confirmed.

316. Variances Between Financial Statements Balances and Integrated Financial Management Information System (IFMIS)

The financial statements reflect account balances that are at variance with the corresponding account balances generated from IFMIS report as summarized below:

	Notes	Financial Statements Amount	IFMIS Amount	Variance
		Kshs.	Kshs.	Kshs.
Exchequer Receipts	1	5,293,272,600	5,616,465,650	(323,193,050)
Proceeds from Domestic and Foreign Grants	2	767,076,252	0	767,076,252
Transfer from Other Government Entities	3	158,951,539	0	158,951,539
County Own Generated Receipts	9	408,718,259	0	408,718,259
Compensation of Employees	11	1,941,760,782	1,892,475,868	49,284,914
Use of Goods and Services	12	1,017,091,947	875,303,866	141,788,081
Subsidies	13	0	32,151,463	(32,151,463)
Transfer to Other Government Units	14	719,481,913	513,686,048	205,795,865
Other Grants and Transfers	15	732,039,961	127,646,500	604,393,461
Social Security Benefits	16	0	52,938,691	(52,938,691)
Acquisition of Assets	17	1,750,366,015	1,501,056,544	249,309,471
Other Payments	19	0	206,048,821	(206,048,821)
Bank balances	20A	999,305,766	2,912,813,370	(1,913,507,604)
Accounts Receivables	21	3,059,770	465,673,932	(462,614,162)

	Notes	Financial Statements Amount	IFMIS Amount	Variance
		Kshs.	Kshs.	Kshs.
Account Payables	22	75,243,626	126,753,589	(51,509,963)
Fund Balance b/fwd	23	459,843,878	0	459,843,878

Management did not reconcile the variances.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

317. Receipts

317.1 Backdated Exchequer Receipts

The statement of receipts and payments reflects an amount of Kshs.5,293,272,600 in respect to Exchequer releases which includes an amount of Kshs.704,660,499 received in July, 2021 but backdated to June, 2021.

The statement This is contrary to Regulation 97(4) of the Public Finance Management (County Governments) Regulations, 2015 which provides that actual cash transactions taking place after 30 June shall not be treated as pertaining to the previous financial year even though the accounts for that year may be open for end of year procedures and adjustments.

In the circumstances, the accuracy, cut off and completeness of the Exchequer releases balance of Kshs.5,293,272,600 could not be confirmed.

317.2 Misstated Transfers from Other Government Entities

As disclosed in Note 3 to the financial statements, the statement of receipts and payments reflects payments of Kshs.158,951,539 in respect to transfers from other Government entities. However, included in the expenditure is road maintenance fuel levy amount of Kshs.146,215,614 that differs with actual receipts in the special purpose account of Kshs.180,804,254 resulting to an unexplained variance of Kshs.34,588,640.

In the circumstances, the accuracy and completeness of the transfers from other Government entities balance of Kshs.158,951,539 could not be confirmed.

317.3 County Own Generated Receipts

317.3.1 Variance Between Revenue Account Transfers and Financial Statements

The statement of receipts and payments reflects County own generated receipts of Kshs.408,718,259 which vary with the transfers of Kshs.453,491,444 from commecial banks revenue collection accounts to County Revenue Fund account during the year, resulting to an unexplained variance of Kshs.44,773,185.

In the circumstances, the accuracy and completeness of County own generated revenue of Kshs.408,718,259 could not be confirmed.

317.3.2 Unsupported Revenue

As disclosed in Note 9 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.408,718,259 in respect to County own generated receipts. However, the following anomalies were noted:

i. The revenue includes an amount of Kshs.204,000 in respect to liquor license. However, the revenue schedule provided in support of the balance had monthly summaries and not the actual transaction details.

ii. Further, comparison of approved targets and the actual collected revenues revealed that there was no list of registered liquor stores at various categories like pubs, wines and spirit, lounge bar and night club. In addition, there was no approved liquor license fee per category that could have facilitated calculation of targets.

iii. Data on mapping of cess collection point, tax rates per category, approximate number of clients per day/ month/year was not provided for audit.

iv. Records to support an amount of Kshs.1,734,660 collected from environment and conservancy administration were not provided.

In the circumstances, the accuracy and completeness of the revenue generated could not be ascertained.

318. Inaccuracies in Compensation of Employees

The statement of receipts and payment reflects an amount of Kshs.1,941,760,782 in respect to compensation of employees that differs with the payroll gross amount of Kshs.1,950,865,342 resulting to an unreconciled variance of Kshs.9,104,560.

Further, the compensation of employees payments of Kshs.1,941,760,782 includes an amount of Kshs.16,353,682 in respect to contract employees, casuals and interns that was not supported by employment letters, payroll details or approvals from the County Public Service Board.

In the circumstances, the accuracy and completeness of compensation of employees amount of Kshs.1,941,760,782 could not be confirmed.

319. Use of Goods and Services

The statement of receipts and payments and as disclosed in Note 12 to the financial statements reflects use of goods and services payments of Kshs.1,017,091,947. The following unsatisfactory matters were noted:

319.1 Expenditures Incurred after End of Financial Year

The amount includes an expenditure of Kshs.429,028,515 incurred after 30 June, 2021, which, further includes imprest issued and not cleared amounting to Kshs.306,465,112 which was erroneously expensed instead of being reflected as pending imprest. This is contrary to Regulation 97(1) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that the accounts of the County Government Entities shall record transactions which take place during a financial year running from the 1st July to the 30 June.

319.2 Unsupported Electricity Payments

The amount includes an expenditure of Kshs.26,606,494 in respect to utilities, supplies and services. However, the latter amount includes an expenditure of Kshs.7,500,000 spent on floodlights and street lights which was not supported by monthly bills and electricity meter numbers.

In the circumstances, the propriety of the expenditure of Kshs.7,500,000 incurred on floodlights and street lights could not be confirmed.

319.3 Hospitality Supplies and Services Expenditure

The payments include hospitality supplies and services expenditure of Kshs.55,017,644 which further includes expenditure amounting to Kshs.8,422,380 that was not supported by imprest warrants, surrender vouchers, memorandum cashbook for imprest, public participation minutes and approved work plans.

In the circumstances, the regularity of hospitality supplies and services amounting to Kshs.8,422,380 could not be confirmed.

319.4 Other Operating Expenses

The amount includes other operating expenses of Kshs.300,824,723 which further includes an amount of Kshs.1,517,000 in respect to Covid-19 allowances of that was not supported by approvals, list of payees and rate of payment.

In the circumstances, the propriety and regularity of expenditure amounting to Kshs.1,517,000 could not be confirmed.

320. Other Grants and Payments

As disclosed in Note 15 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.732,039,961 in respect to other grants and transfers. However, the following unsatisfactory matters were noted:

320.1 Unsupported Other Current Transfers to Hospitals

The expenditure includes an amount of Kshs.275,954,795 in respect of other current transfers (hospital transfers) which was not supported by detailed expenditure returns

from each medical facility, opening bank balances and certificate of bank balances. Further, the balance includes Covid funds balance of Kshs.89,354,000 that was also not supported by payment vouchers, bank statement or expenditure returns.

In the circumstances, the propriety, accuracy and completeness of other current transfers to hospitals expenditure of Kshs.89,354,000 could not be confirmed.

320.2 Unsupported Transfers to Kenya Urban Support Programme

The amount includes Kenya Urban Support Programme expenditure of Kshs.38,597,502 transferred to Ol Kalou Municipality. However, the expenditure was not supported by detailed expenditure returns from the Municipality, opening bank balances, bank reconciliation statement, and certificate of bank balances as at 30 June, 2021.

In the circumstances, the propriety and completeness of transfers to Kenya Urban Support Programme balance of Kshs.29,573,880 could not be confirmed.

320.3 EU IDEAS Expenditure Omitted from the Financial Statements

The expenditure includes a transfer to EU IDEAS amount of Kshs.11,000,000. However, the project designated account reflected an expenditure amounting to Kshs.23,749,707 that was omitted from the financial statements.

In the circumstances, the accuracy, regularity and completeness of transfers to EU IDEAS balance of Kshs.11,000,000 could not be confirmed.

320.4 Kenya Climate Smart Agriculture Project Expenditure

The expenditure includes Kenya Climate Smart Agriculture Project (KSCAP) amount of Kshs.120,522,211 which had not been received in the project designated account by 30 June, 2021 and therefore, does not constitute expenditure for the year then ended. Further, the project designated account reflected expenditure amounting to Kshs.60,436,251 that was omitted from the financial statements.

In the circumstances, the propriety, accuracy and completeness of transfers to Kenya Climate Smart Agriculture Project balance of Kshs.120,522,211 could not be confirmed.

320.5 Transfers to Agriculture Sector Development Support Programme

The expenditure includes Agriculture Sector Development Support Programme (ASDSP) amount of Kshs.17,991,573 which has not been supported by detailed schedule, work plans, bank statements and payment vouchers. Further, the project designated bank account reflected opening balance, deposits during the year and closing balance of Kshs.6,872,603, Kshs.17,991,573 and Kshs.13,577,741 respectively, resulting to an expenditure of Kshs.11,286,435 that is omitted from the financial statements. In addition, the bank balance of Kshs.13,577,741 is also omitted from the financial statements.

In the circumstances, the propriety, accuracy and completeness of transfers to Agriculture Sector Development Support Programme balance of Kshs.17,991,573 could not be confirmed.

321. Acquisition of Assets

As disclosed in Note 17 to the financial statements, the statement of receipts and payments reflects acquisition of assets expenditure of Kshs.1,750,366,015. The following matters were noted:

321.1 Unsupported Road Maintenance Levy Expenditure

The expenditure includes an amount of Kshs.1,373,888,481 in respect to construction and civil works. The latter expenditure includes an amount of Kshs.164,025,922 incurred on road maintenance which differs with the actual expenditure of Kshs.241,346,509 reflected in the respective Road Maintanance bank account resulting to an unreconciled variance of Kshs.77,293,587.

Further, the expenditure includes an amount of Kshs.30,000,000 paid to a construction company on 29 October, 2020. However, the payment was not supported by procurement records, contracts, certificates of works done and Inspection and Acceptance Committee certificates.

In addition, the expenditure includes an amount of Kshs.27,216,024 paid for projects not included in the approved budget and whose project files were not provided for audit.

In the circumstances, the propriety, accuracy and completeness of construction and civil works balance of Kshs.1,373,888,481 could not be confirmed.

321.2 Unaccounted for Road Maintenance Levy Funds

The Kenya Roads Board approved and disbursed in full road maintenance projects budget of Kshs.146,215,617 for the financial year 2020/2021. However, two projects Engineer-Mwenda-Andu Secondary School Road and Flyover-Kenton Road valued at Kshs.8,900,000 which were fully funded and completed in the year under review were not paid for the County accumulated pending bills yet respective funds were received in full.

In the circumstances, the propriety of the expenditure totalling to Kshs.8,900,00 could not be confirmed.

321.3 Unsupported Purchase of Motor Vehicles and Other Transport Equipment

The expenditure includes an amount of Kshs.54,238,125 in respect to purchase of vehicles and other transport equipment. However, logbooks for the motor vehicles procured were not provided for audit and motor vehicles costing Kshs.25,455,125 were procured without budgetary provision.

In the circumstances, the acccuracy, ownwership and regularity of an amount of Kshs.54,238,125 incurred for the purchase of vehicles and other transport equipment could not be confirmed.

322. Inaccuracies in Cash and Cash Equivalents

The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.999,305,766. However, the bank reconciliation statement for various bank accounts reflected amounts to Kshs.3,052,050,819 and Kshs.2,387,507,932 in respect to payments in cash book not in bank statement and receipts in bank not in cash book respectively.

Further, the statement excludes an amount of Kshs.200,544,685 held in various operational bank accounts.

In addition, the cash books provided for audit indicated that they are not checked and signed by a responsible officer after they are prepared.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.999,305,766 could not be confirmed.

323. Inaccuracies in Accounts Receivables

The statement of assets and liabilities reflects accounts receivables balance of Kshs.3,059,770 which differs with the IFMIS trial balance balance of Kshs.1,202,029,056 resulting to an unreconciled variance of Kshs.1,198,969,286.

Further, the IFMIS trial balance reflected accounts receivables balance of Kshs.1,202,029,056 from the previous year balance of Kshs.736,355,124 resulting to an increase of Kshs.465,673,932 which was not supported by documents such as imprest warrants/register and approved surrender payment vouchers.

In the circumstances, the accuracy, existance and completeness of the accounts receivables balance of Kshs.3,059,770 could not be confirmed.

324. Accounts Payables

324.1 Inaccuracies in Accounts Payables

As disclosed in Note 22 to the financial statements, the statement of assets and liabilities reflects accounts payables balance of Kshs.75,243,626. However, the balace differs with the trial balance amount of Kshs.126,753,589 resulting to an unreconciled variance of Kshs.51,509,963. Further, the comparative amount for accounts payables-deposits and retentions shows a balance of Kshs.59,241,913 while the bank provided for Deposit bank account statement reflects an opening balance of Kshs.11,608,596 resulting to an unreconciled variance of Kshs.47,633,317.

In the circumstances, the propriety, accuracy and completeness of the accounts payables balance of Kshs.75,243,626 could not be confirmed.

324.2 Pending Accounts Payables

Annex 2 to the financial statements reflects pending accounts payables balance of Kshs.864,638,843 as at 30 June, 2021. However, Annex 2 to the financial statements does not disclose the tender/contract number and brief description of the goods/services/works and therefore, the statement is not prepared as per prescribed template by Public Sector Accounting Standards Board template.

In the circumstances, the accuracy and completeness of the pending accounts payables balance of Kshs.864,638,843 could not be confirmed.

325. Improper Management of Travel Expenses

The statement of receipts and payments reflects use of goods and services expenditure of Kshs.1,017,091,947 which includes an amount of Kshs.118,117,402 in respect to domestic travel and subsistence allowances. The latter expenditure includes travel expenses amounting to Kshs.31,564,334. However, per diem and travel allowances were deposited directly to recipients' bank accounts without the use of imprest warrants, approvals are done after the activities and journeys and officers surrender jointly without explanation.

In the circumstances, the propriety, accuracy and completeness of domestic travel and subsistence expenditure amounting to Kshs.31,564,334 could not be confirmed.

326. Assets Inherited from the Defunct Local Authorities

The County Executive inherited assets and liabilities including land and buildings from the defunct local authorities in Nyandarua. However, the assets are yet to be incorporated into the County fixed assets, as they were not formally handed over by the defunct Transition Authority and do not have their respective values attached.

In the circumstances, the accuracy and completeness of the statement of assets and liabilities as presented could not be confirmed.

326.1 Unconfirmed Ownership of Land

As reported in the prior year, the assets register maintained by the Department of Agriculture, Livestock and Fisheries indicated that the Agricultural Mechanization Services (AMS) Department had two parcels of land in Nyahururu Municipality Blocks 8 and 6. The two parcels of land are not registered under the Department and some private companies and individuals have irregularly taken possession of approximately 2.5 acres of the land. In addition, an approximate 0.919 hectares consisting of 8 blocks of land each measuring approximately 0.0465 hectares have been hived off and certificate of leases issued.

Further, an approximated 1.5 acres on parcel LR No. 6585/115 has been encroached on and illegally fenced off by private developers. Copies of certificates of official search

presented for audit verification revealed details of six (6) private developers as encroachers while the rest were unknown. One of the private developers has since given a notice of intention to enter legal suit against the Department through a letter dated 20 August, 2018. Through a notification letter dated 31 January, 2018, the Manager AMS communicated to the Chief Officer and copied the Chief Executive Committee Member, Department of Agriculture, Livestock and Fisheries on the encroachment. The Chief Officer in turn notified the Nyandarua County Coordinator in charge of National Lands Commission through a letter referenced MOA/NYA/ADM/Vol.2/167. However, as at the time of the audit, no response had been received or action taken by the Commission.

The two parcels of land also do not have complete perimeter fences while large sections have been left idle with no development. To date the County has not obtained ownership documents of the parcels.

In the circumstances, the ownership of the land could not be confirmed.

Other Matter

327. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.7,815,571,528 and Kshs.6,628,018,650 respectively resulting to an under-funding of Kshs.1,187,552,878 or 15% of the budget. Similarly, the County Executive spent an amount of Kshs.6,160,740,618 against an approved budget of Kshs.7,815,571,528 resulting to an under - expenditure of Kshs.1,654,830,910 or 21% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

328. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: AG.4/16/2 Vol.3 (72) dated 30 June, 2021.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

329. Delay in Project implementation

Records provided for audit indicated that a total of Kshs.2,315,724,926 was allocated to fourteen (14) Ministries to finance eight hundred and eight two (882) projects during the year under review. However, according to project status reports, projects implementation was behind schedule with expenditure of Kshs.1,658,778,544 or 67% having been spent on 598 projects.

Further, the Project Implementation Status Report reflects budget balance of Kshs.2,315,724,926 which differs with the development vote final budget balance of Kshs.2,890,164,595 resulting to an unexplained variance of Kshs.574,239,669.

Delayed implementation of projects denies the public services and exposes the County to escalation of project costs due to inflation.

330. Project Verification

Note 17 to the financial statements reflects an amount of Kshs.1,750,366,015 in respect to acquisition of assets which includes an expenditure of Kshs.229,381,594 in respect to construction of buildings. However, physical verification done during the month of December, 2021 on completed construction of buildings projects whose total contracted sum amounted to Kshs.20,548,980 showed that the projects were not labelled.

Further, physical verification of construction of Mirangine Achievers Self Help Group, Koinange Kagondu Youth Group and Young Youth Union Group green houses at a total contracted sum of Kshs.1,500,000 during the month of December, 2021 revealed that the green houses were not labelled to show they were donated by the County Executive and the group names were not written on the green houses.

In the circumstances, ownership of the projects could not be confirmed.

331. Non-Compliance with the Law on Staff Ethnic Composition

Review of the payroll records revealed that 98% of the three hundred and twenty-four (324) staff members recruited in the year under review who included health workers, administrative officers and staff on internship program, were from the dominant community in the County. This is contrary to Section 65(1) of the County Governments Act, 2012 which states that in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County.

In the circumstances, Management was in breach of the law.

332. Lack of Managed Equipment Service Lease Contract

As reported previously, the County Executive and the Ministry of Health of the National Government signed a Memorandum of Understanding (MOU) for the provision of medical equipment and related services, Managed Equipment Services (MES) on 10 February, 2015. The medical equipment was to be provided in two (2) hospitals in the County, namely, J. M. Kariuki (Ol Kalou) Hospital, which is a Level 4 hospital and Engineer SDH, a Level 3 facility, on a 7-year lease arrangement.

According to the annual County Allocation of Revenue Act (CARA), in the five (5) years that the MES programme has been in operation, the County Executive has paid lease amounting to Kshs.619,148,937. It was noted that the lease is reflected in the CARA as a conditional grant for leasing of medical equipment. However, the amount is not remitted to the County Executive, but is retained at the Ministry of Health.

Examination of records revealed that the basis of the amounts of annual lease cannot be determined and the County Executive does not have a register for recording the delivered MES assets.

Further, Lots 3 and 4 of the MES equipment have not been supplied despite the fact that the County Executive has constructed two laboratories for the items while the Intensive Care Unit, ICU equipment which are under Lot 6, is reserved for level 5 hospitals has not been provided since the County Executive does not have such a facility.

In the circumstances, it has not been possible to confirm whether the residents have received value for money from the expenditure on Managed Equipment Services (MES) programme.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

333. Lack of Capacity of the Internal Audit Department

As reported in the previous year, the Internal Audit Department had only nine (9) officers against an authorized establishment of twenty-two (22) officers. Further, the Department did not have access to the Integrated Financial Management Information System (IFMIS) and the Integrated Personnel and Payroll Database (IPPD) systems. In addition, the Internal Audit Department is not fully facilitated to accomplish its responsibilities. The department had budget cuts for the past three financial years from Kshs.17,000,000 approved in the financial year 2018/2019, Kshs.16,000,000 in the financial year 2019/2020 to Kshs.11,000,000 approved in the year under review.

In the circumstances, the existence of an effective review of the financial and non-financial performance management systems and internal controls could not be confirmed.

334. Grounded Motor Vehicles

As previously reported, Annex 4 to the financial statements on the summary of fixed assets register includes forty-eight (48) grounded motor vehicles whose value could not be confirmed. One of the vehicles which was to be repaired at a cost of Kshs.80,000, has been held in a garage in Nyahururu for the last ten (10) years and has accrued storage charges of Kshs.515,000.

In the circumstances, it has not been possible to confirm whether the Management has proper management policy and mechanism to safeguard its assets.

335. Unsupported Staff Recruitments

Review of records revealed that ninety-one (91) officers were recruited during the year under review. However, the recruitment was not informed by the need's assessment through the Department of Human Resource upon approval by the County Public Service Board. Further, interview minutes that contains a score for every matter and issue under consideration for every officer were not provided for audit review.

In the circumstances, existence of effective recruitment measures could not be confirmed.

COUNTY EXECUTIVE OF NYERI - NO.19

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

336. Inaccuracies in Exchequer Releases

The statement of receipts and payments and as disclosed in Note 1 to the financial statements reflects exchequer receipts of Kshs.6,306,344,117 by the County Executive. However, the Integrated Financial Management Information System (IFMIS) records and Controller of Budget (COB) records on the same reflected an amount of Kshs.63,150,000 and Kshs.5,840,899,218 respectively, resulting to an unexplained variances of Kshs.6,243,194,117 and Kshs.465,444,899 respectively.

In the circumstances, the accuracy and completeness of the exchequer receipts of Kshs.6,306,344,117 could not be confirmed.

337. Compensation of Employees

The statement of receipts and payments and as disclosed in Note 11 to the financial statements reflects compensation of employees of Kshs.3,620,664,500. However, analysis of Integrated Payroll and Personnel Database (IPPD) system monthly payrolls and the manual payrolls reflected a total of Kshs.3,340,827,913 resulting to an unreconciled variance of Kshs.279,836,587.

Further, the expenditure includes social security benefits paid as gratuity to LAPFUND amount of Kshs.126,608,926 out of which an amount of Kshs.5,466,159 related to taxes deducted for remittance to Kenya Revenue Authority (KRA). However, receipts from KRA were not provided for audit.

In the circumstances, the regularity, accuracy and completeness of compensation of employees' amount of Kshs.3,620,664,500 could not be confirmed.

338. Transfers to Youth Polytechnics

The statement of receipts and payments reflects other grants and transfers totalling to Kshs.692,205,939, which includes an amount of Kshs.28,130,495 transferred to youth polytechnics in the County. However, review of the transfers revealed the following anomalies:

i. During the financial year under review, the County received grants totalling to Kshs.48,949,894 from the Ministry of Education for development of youth polytechnics in the County, out of which the County Executive transferred a total of Kshs.28,130,495 leaving a balance of Kshs.20,819,399.

ii. The grant of Kshs.48,949,894 from the Ministry of Education for development of youth polytechnics was disbursed to the County Executive on 3 March, 2021 on condition that the County Executive would match the contribution in the ratio of 1:1 as per the grant condition No.6(c). However, the County Executive did not pay any amount to the youth polytechnics as required.

iii. Grant condition No.7(a) requires that a grant be disbursed to eligible Vocational Training Centres based on verified trainee enrolment data per Vocational Training Centre as submitted to the State Department for Vocational Technical Training by Council of Governors. Copy of verified trainee data was not provided for audit.

iv. Grant condition No.6(f) states that each County Executive will be required to prepare annual technical reports in the agreed formats to the respective County Executive Committee Member in charge of Vocational Education and Training with a copy to the State Department for Vocational Technical and Training. The reports should cover number of new vocational training centres established in the County using the grant, number of workshops or hostels or classrooms constructed, number of trainees enrolled, retention, graduation, transition and completion rates. However, the report was not provided for audit.

In the circumstances, the accuracy, regularity, completeness and application of the grant received totalling to Kshs.48,949,894 could not be confirmed.

339. Fixed Assets

Annex 6 - Summary of Fixed Assets Register reflects a balance of Kshs. Kshs.4,218,101,225 being the historical cost of non-current assets carried forward. However, review of the fixed assets register revealed that one hundred and four (104) parcels of land of undetermined values owned by the County Executive were omitted in the register. The parcels of land were mainly occupied by health facilities.

Further, nine (9) land properties had no title deed or other ownership documents.

In addition, various assets that include land, buildings, motor vehicles, furniture, plant, machinery and computers inherited from the defunct local authorities were not disclosed or valued and assets had not been tagged for ease of reference, identification and updating.

In the circumstances, the accuracy and completeness of assets balance of Kshs.4,218,101,225 in the summary of fixed assets register could not be confirmed.

340. Unsupported Pending Bills

Note 28 to the financial statements reflects pending accounts payable balance of Kshs.106,432,693 out of which supporting documents for payables balance of Kshs.13,883,688 were not provided for audit.

In the circumstances, the regularity and accuracy of the pending bills balance of Kshs.13,883,688 could not be confirmed.

Other Matter

341. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects a total receipts budget of Kshs.9,098,018,005 against actual budget of Kshs.8,777,288,168 resulting in under collection of revenue amounting to Kshs.320,729,837 equivalent to 3.5 % of the budget. Similarly, the statement reflects the total payments budget of Kshs.9,098,018,004 against actual payments of Kshs.7,774,322,855 resulting to under absorption of Kshs.1,323,695,149 or 14.5 % of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

342. Late Release of Exchequer

The statement of receipts and payments and as disclosed in Note 1 to the financial statements reflects exchequer receipts of Kshs.6,306,344,117 out of which, an amount of Kshs.460,032,750 was received on 2 July, 2021 from The National Treasury.

The delayed Exchequer releases may have affected the County Executive's ability to implement its planned programmes and possible underutilization of the budget, resulting to a negative impact on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

343. Non-Compliance with National Social Security Fund (NSSF) Act

The statement of receipts and payments and as disclosed in Note 11 to the financial statements reflects compensation of employees of Kshs.3,620,664,500 out of which an amount of Kshs.3,227,388,439 is basic salaries of permanent employees. The expenditure includes an amount of Kshs.5,808,000 being social security contributions that were not deducted and remitted as required by Regulation 6(1) of the National Social Security Fund (Member Contributions) Regulations, 2014 which states that an employer shall pay contributions to the pension fund in respect of each employee in his or her employment as prescribed in Section 20 of the Act.

In the circumstances, Management was in breach of the law.

344. Failure to Deduct and Remit Income Tax

During the year under review, Management deducted and remitted an amount of Kshs.586,027,346 to the Kenya Revenue Authority (KRA) as supported by Integrated

Payroll and Personnel Database (IPPD) system. However, re-computation of the tax amounted to Kshs.593,796,516 resulting to an unexplained variance of Kshs.7,769,171. Further, an amount of Kshs.4,500,853 that should have been deducted as PAYE was not deducted and remitted to KRA. In addition, an employee who earned a total sum of Kshs.1,599,753.30 for the 12 months in the year under review was not deducted any statutory dues and had PIN number that did not conform with KRA PIN format.

This was contrary to Section 37(1) of the Income Tax Act Cap 470, which states that 'An employer paying emoluments to an employee shall deduct therefrom, and account for tax thereon, to such extent and in such manner as may be prescribed'.

In the circumstances, Management was in breach of the law.

345. Non-Compliance wth the One Third of Basic Salary Rule

Review of Payroll revealed that there were employees whose net salaries were not in compliance with the one third rule (1/3) on basic pay. For instance, in the month of March, 2021, two hundred and thirty-four (234) officers earned net pay that was less than a third of their basic pay. This is contrary to Section C.1(3) of the Human Resource Policies and Procedures Manual for the Public Service 2015, which requires that public officers shall not over-commit their salaries beyond two-thirds (2/3) of their basic salaries and Heads of Human Resource Units should ensure compliance.

In the circumstances, Management was in breach of the law.

346. Non-Compliance with the Law on Retirement Age

The statement of receipts and payments and as disclosed in Note 11 to the financial statements reflects compensation of employees payments of Kshs.3,620,664,500 out of which an amount of Kshs 5,483,345 was paid to sixty-six (66) employees who had reached the mandatory retirement age of sixty (60) years. This is contrary to the County Public Service Human Resource Manual 2013, Section L.3(1) which states that all officers will be required to retire from the service on attaining the mandatory retirement age of sixty (60) years.

In the circumstances, Management was in breach of the law.

347. Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

The statement of receipts and payments and as disclosed in Note 11 to the financial statements reflects compensation of employees expenditure of Kshs.3,620,664,500. This is about 41% of the total county revenue of Kshs.8,777,288,167 and which is above the required limit of 35% as per Section 107(2)(c) of the Public Financial Management Act, 2012 and Section 25 (a,b) of the Public Finance Management (County Governments) Regulations 2015 which provides that County Government wages and benefits shall not exceed 35% of total county government revenue.

In the circumstances, Management was in breach of the law.

348. Non-Compliance with the Law on Staff Ethnic Composition

Review of the staff complements records indicated that the County Executive had 2,934 employees out of whom 2,723 or 93% were from the dominant community in the County. This is contrary to section 65(1)(e) of the County Governments Act, 2012 which requires County Governments to ensure that at least thirty percent (30%) of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County.

In the circumstances, Management was in breach of the law.

349. Un-surrendered Imprest

The statement of assets and liabilities and as disclosed in Note 22 to the financial statements reflects an amount of Kshs.7,654,200 in respect of accounts receivable-Government imprest, which was an increase by Kshs.1,983,169 from the previous balance of Kshs.5,671,031. However, the outstanding imprest had not been accounted for as at 30 June, 2021. This was contrary to the provisions of Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015 which states that 'A holder of a temporary imprest shall account or sunder the imprest within seven (7) working days after returning to duty station'.

In the circumstances, Management was in breach of the law.

350. Irregular Expenditure on Motor Vehicle Repairs

The statement of receipts and payments and as disclosed in Note 12 to the financial statements reflects an amount of Kshs.1,291,903,950 in respect of use of goods and services. Included in the expenditure is an amount of Kshs.19,869,170 in respect of routine maintenance-motor vehicles and other transport equipment out of which an amount of Kshs.433,980 was paid to a service provider for the repair of a motor vehicle. However, procurement details indicated that the service provider was single sourced and did not meet the conditions of direct procurement as set out in Section 103(2) Public Procurement and Asset Disposal Act, 2015 which states that a procuring entity may use direct procurement if any of the following are satisfied; the goods, works or services are available only from a particular supplier/contractor, or a particular supplier or contractor has exclusive rights in respect of the goods, works or services and no reasonable alternative exists.

In the circumstances, Management was in breach of the law.

351. Procurement of Hospital Beds

The statement of receipts and payments and as disclosed in Note 15 to the financial statements reflects an amount of Kshs.692,205,939 in respect to other capital grants and transfers of Kshs.545,209,145 out of which an amount of Kshs.5,440,000 was paid to a supplier for one hundred and thirty (130) pieces of two (2) crank hospital beds and thirty

(30) ripple mattresses. However, the following anomalies were noted with the procurement process:

(i) The delivery of the items was on 17 March, 2021. An audit verification carried out on 3 November, 2021 and review of ledger cards provided for audit revealed that all the one hundred and thirty (130) pieces of two (2) crank hospital beds and ten (10) of the thirty (30) ripple mattresses costing a total of Kshs.800,000 had never been used.

(ii) The hospital added an additional fifty (50) crank hospital beds on 14 October, 2021 as per ledger cards without utilizing the previous procured beds.

(iii) Although Management explained that the items were for the Narumoru Hospital which was awaiting completion, the contract signed or tender given did not specify whether the items were for the Narumoru hospital.

(iv) In addition, another contract was awarded for the supply of twenty-two (22) modular patient monitors with trolley. It was established that two (2) of the patient monitors costing Kshs.518,400 were still in store as at the time of the audit verification.

In the circumstances, it was not possible to ascertain if there was value for money on the procured items.

352. Procurement of Ventilators and Syringe Pump

The statement of receipts and payments and as disclosed in Note 15 to the financial statements reflects an amount of Kshs.692,205,939 in respect to other grants and transfers which in turn includes other capital grants and transfers of Kshs.545,209,145 out of which an amount of Kshs.7,350,000 was paid to a supplier for the supply of three (3) ventilators and five (5) syringe pumps. The following anomalies were noted;

(i) The delivery was done on 22 April, 2021. However, as per physical inspection carried out on 3 November, 2021, and ledger cards presented for audit, none of the ventilators had been put into use,

(ii) Two (2) syringe pumps costing a total of Kshs.180,000 had not been dispatched to the user department seven (7) months after their delivery.

(iii) The explanation given by Management was that the items were for Narumoru Hospital which has not been completed. However, the contract signed or tender given did not specify whether the items were for the Hospital.

In the circumstances, the value for money spent on the equipments could not be confirmed.

353. Procurement for Rehabilitation of Civil Works

The statement of receipts and payments and as disclosed in Note 17 to the financial statements reflects expenditure of Kshs.1,341,191,434 in respect of acquisition of assets which further includes an amount of Kshs.14,440,018 in respect of rehabilitation of civil works. In addition, the rehabilitation of civil works includes an amount of Kshs.6,840,868.

However, the following anomalies were noted;

i) Opening and evaluation tenders was done by the same committee contrary to Section 78(1)(a) of the Public Procurement and Asset Disposal Act ,2015 which requires that at least one of the members shall not be directly involved in the processing or evaluation of the tenders.

ii) There were no independent evaluators score sheet prepared by each of the committee as required by Regulation 31(1) of the Public Procurement and Asset Disposal Regulations, 2020.

iii) Notices done to the unsuccessful bidders were not provided contrary to Section 87(3) of the Public Procurement and Asset Disposal Act, 2015 which requires that a person submitting the successful tender is notified under subsection (1), the accounting officer of the procuring entity shall also notify in writing all other persons submitting tenders that their tenders were not successful, disclosing the successful tenderer as appropriate and reasons thereof.

iv) Minutes provided for audit did not indicate the initials of the Opening Committee Members on each page of the as required by Section 78(11) of the Public Procurement and Asset Disposal Act, 2015 which states that to acknowledge that the minutes are true reflection of the proceedings held, each member of the tender opening committee shall (a) initial each page of the minutes.

In the circumstances, Management was in breach of the law.

354. Acquisition of Assets

The statement of receipts and payments and as disclosed in Note 17 to the financial statements reflects acquisition of assets payments of Kshs.1,341,191,434 which is 17% of the total actual expenditure of Kshs.7,774,322,856. This is contrary to Section 25(1)(g) of the Public Finance Management (County Governments) Regulations 2015 which provides that county government actual expenditure on development shall be at least 30% of the total County Government expenditure. This is pursuant to the requirements under Section 107(2)(b) and 107(5) of the Public Finance Management Act, 2012.

In the circumstances, Management was in breach of the law.

355. Delay in Project Implementation

Review of Projects Implementation Status Report provided for audit revealed that three hundred and fifty-seven (357) projects worth Kshs.1,173,380,592 were completed and in use while one hundred and seventy-five (175) projects worth Kshs.625,536,296 were either ongoing, not started or stalled**.**

Further, a total of thirty-two (32) projects were sampled for physical inspection. Twenty-two (22) of the projects worth Kshs.133,742,626 were found to be complete and in use while ten (10) projects worth Kshs.20,355,704 were ongoing as detailed in the **Appendix** with several unsatisfactory observations.

In the circumstances, the public did not get the expected value for money from the allocated and disbursed amount of Kshs.625,536,296 for the ongoing, not started or stalled projects.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

356. Delay in Revenue Banking

The statement of receipts and payments and as disclosed in Note 9 to the financial statements reflects an amount of Kshs.886,940,831 in respect of County own generated revenue, which in turn includes an amount of Kshs.182,735,460 in respect of revenue collected from Hospitals. However, review of records revealed that there was late banking of revenue collected in Mukurweini Sub-county Hospital.

In the circumstances, existence of an effective revenue management could not be confirmed.

Appendix: Unsatisfactory Implementation of Projects

No	Project Name	Description of Activities	Approved Budget (Kshs.)	Amount Spent (Kshs.)	Audit Observation
1	Iruri Dispensary	Construction of building-dispensary Phase 1	5,000,000	2,431,870	As at the date of inspection 28 October, 2021 the project was not complete. As per the BQ, element 3 on reinforced concrete super structure, element 4 on roofing, element 5 on windows, element 6 on doors, element 7 on external finishes, element 8 on internal finishes and element 9 on concrete worktops were not done. As per the contract agreement signed on 6 May, 2021, the contract period was for ninety (90) days. However as at the day of inspection, which was approximately sixty (60) days past the duration of the contract, the project was not complete.
2	Mbiriri Dispensary	Construction-dispensary phase 1	2,000,000	3,438,449	The contract was tendered at an amount of Kshs.1,919,812 above the budget while the contractor was paid an amount of Kshs.1,438,448 above the budgeted amount. On the day of project inspection 27 October, 2021, the following were noted as per the BQ Element No 8. on wall finishes, the 15mm Thick plaster to walls amounting to Kshs.133,000 were not done. Element No 9. of the same BQ, the concrete worktops amounting to Kshs.98,160 were not done.
3	Gitathiini Dispensary	Construction-dispensary phase 1	2,000,000	3,196,148	The contract was awarded at an amount of Kshs.2,968,396 above budget while the contractor was paid an amount of Kshs.1,196,148 above the budget.
4	Ndimaini Dispensary	Renovation and equipping of maternity block	3,199,195	2,087,339	The facility though complete, was not in use.
5	Construction of kitchen in Othaya Sub-County Hospital	Construction of buildings - kitchen		1,111,300	There was no approved line budget for the expenditure. The facility was not in use on the day of inspection on 28 October, 2021.

No	Project Name	Description of Activities	Approved Budget (Kshs.)	Amount Spent (Kshs.)	Audit Observation
6	Construction of ground mounted sub-station	Construction - sub-station	-	794,530	There was no approved line budget for the expenditure in the 2020/2021 financial year. Scrutiny of documents provided revealed that the Management engaged the contractor on the 14 April, 2021 for the project. Though, complete and in use, did not disclose the outstanding amount of Kshs.2,694,389 in the financial statements as payables.
7	Mbiriri ECDE centre	Construction -classroom	1,500,000	1,740,185	Tender opening and tender evaluation were done by the same committee members. The professional opinion dated 22 April, 2021 was issued before the quotations dated May, 2021 were done. In the quotation submitted by the winning bidder, it shows he/she received the BQ and filled and signed on 20 April, 2021. In addition, the LPO attached was dated 23 April, 2021 and was issued to the contractor. There was no evidence of formal contractual agreement provided. The project was over budget by an amount of Kshs.240,185.
8	Kaguongo ECDE centre	Construction of classroom	1,000,000	1,515,685	The project was above the approved budget by an amount of Ksh.515,685. The committee for tender opening and tender evaluation had the same members. The minutes were not dated. There was no evidence of a formal contract between the County Executive and the contractor.
9	Kaigonde ECDE centre	Construction of two (2) classrooms	2,400,000	2,530,586	The tender opening and evaluation committee members were the same. The minutes were not dated. The project was above the approved budget by an amount of Ksh.130,586.
10	Kimahuri ECDE centre	Construction of one (1) classroom block	1,500,000	1,509,612	The tender opening and evaluation committee members were the same. The minutes were not dated.
	Sub Total		**35,845,953**	**20,355,704**	

COUNTY EXECUTIVE OF KIRINYAGA - NO.20

REPOR ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

357. Inaccuracies in Basic Wages for Temporary Employees

As disclosed in Note 11 to the financial statements, the statement of receipts and payments reflects payments of Kshs.2,245,298,522 in respect to compensation of employees. Included in the expenditure is an amount of Kshs.83,080,125 relating to basic wages for temporary employees. However, a re-computation of the manual payroll data revealed an amount of Kshs.82,051,008 resulting to an unexplained variance of Kshs.1,029,117.

In the circumstances, the accuracy of basic wages for temporary employees of Kshs.83,080,125 could not be confirmed.

358. Unsupported Fuel, Oil and Lubricants

As disclosed in Note 12 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.1,057,783,731 in respect of use of goods and services. Included in this expenditure is fuel, oil and lubricants amount of Kshs.68,458,530. However, the supplier fuel statements for the period 1 July, 2020 to 30 June, 2021 reflected consumption of Kshs.33,399,144 whereas , the corresponding fuel consumption records at the County Executive indicated an amount of Kshs.28,492,392 resulting to an unexplained variance of Kshs.6,111,409.

Further, fuel payments made to a supplier through internet banking amounted to Kshs.34,603,802 differing with the fuel statement amount of Kshs.33,399,144 by an amount of Kshs.1,204,658. No explanation for the variance was provided.

In addition, fuel, oil and lubricants expenditure of Kshs.3,499,828 was not supported with payment vouchers and supporting documents.

In the circumstances, the accuracy of expenditure on fuel, oil and lubricants Kshs.68,458,530 could not be confirmed.

359. Unsupported Acquisition of Assets

As disclosed in Note 17 to financial statements, the statement of receipts and payments reflects acquisition of assets amount of Kshs.825,029,030. However, an expenditure of Kshs.58,308,830 was not supported with payment vouchers and supporting documents.

Further, included in the expenditure under purchase of ICT Equipment, Software and other ICT assets was an expenditure of Kshs.2,623,635 for procurement of twenty-one (21) computers for Hospital Management Information System (HMIS) an inpatients module for two (2) Hospitals in the County. However, the computers were not traced in

the store's ledger, the inspection and acceptance committee certificate did not include acceptance or rejection remarks and there was no notification of award and acceptance letter from the winning bidder.

In addition, the goods received voucher, the local purchase order and counter receipt voucher to acknowledge receipt and installation of the computer software at the Hospitals were not provided for audit.

In the circumstances, the occurrence, accuracy and completeness of expenditure of Kshs.60,932,465 on acquisition of assets could not be confirmed.

360. Unsupported Specialized Material and Services Expenditure

As disclosed in Note 12 to the financial statements, the statement of receipts and payments reflects use of goods and services amount of Kshs.1,057,783,731. Included in the expenditure is an amount of Kshs.493,365,387 relating to specialized materials and services. Review of expenditure records under specialized materials and services revealed the following anomalies in the procurement of pharmaceutical and non-pharmaceutical products worth Kshs.17,090,150:

i. A supplier was paid an amount of Kshs.6,238,800 for the supply and delivery of non-pharmaceutical items to Kerugoya Referral Hospital. The tender evaluation was conducted on 8 May, 2020 having closed on the 6 May, 2020, while the delivery was on 22 March, 2021. However, issue notes were not provided.

ii. Management ordered relief food stuffs valued at Kshs.6,895,350 made up of 23,000 Kgs rice worth Kshs.3,956,000, 8569 Kgs maize floor worth Kshs.1,276,781 and 4271 Kgs cooking oil worth Kshs.1,272,758. However, the receipt point of foodstuffs and beneficiaries of the same was not disclosed. Further, payment for the rice was made before the Inspection and Acceptance Committee certified the procurement and the beneficiaries were not disclosed.

In the circumstances, the occurrence and regularity of the above expenditures totalling to Kshs.17,090,150 spent on the relief food stuffs could not be confirmed.

361. Inaccuracies in the Summary Statement of Appropriation

The summary statement of appropriation - recurrent and development combined reflects actual transfers to other Government units of Kshs.1,129,704,707. However, the statement of receipts and payments reflects an amount of Kshs.1,137,489,857 resulting to an unexplained variance of Kshs.7,785,150.

In the circumstances, the accuracy of transfers to other Government units could not be confirmed.

362. Non-disclosure of Pending Staff Payables

As disclosed in Note 7.10 (2) on other important disclosures is nil pending staff payables balance. However, records indicated that the County Executive owes LAP Fund a total of Kshs.36,983,665 being principal debt of Kshs.3,809,834 and accrued interest of Kshs.33,173,831 for the period from April, 2013 to 15 May, 2021. The amount has not been listed as pending staff payables.

In the circumstances, the accuracy of pending staff payables of Kshs.36,983,665 in the financial statements could not be confirmed.

363. Inaccuracies in Fixed Asset Register

As disclosed in Annex 6 to the financial statements, the summary of non-current asset register reflects total asset balance of Kshs.3,289,914,217 as at 30 June, 2021. This balance includes an amount of Kshs.44,086,317 in respect of Infromation Communication Technology (ICT) equipment. However, it was observed that additions of Kshs.10,960,000 for the year are excluded in computing the historical costs carried forward thereby understating the value of non-current assets.

In the circumstances, the accuracy of ICT equipment expenditure of Kshs.44,086,317 could not be confirmed.

Other Matter

364. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.6,795,605,668 and Kshs.6,331,013,757 respectively, resulting in an unrealized revenue collection amounting to Kshs.464,591,911 or 6.8% of the budget. Similarly, the County Executive spent an amount of Kshs.5,495,037,352 against an approved budget of Kshs.6,795,605,668 resulting to under absorption of Kshs.1,300,568,316 or 19% of the budget.

The underutilization of approved budget affects the planned activities and may have negatively impacted service delivery to the citizens.

365. Unresolved prior year matter

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given satisfactory explanation for the delay.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

366. Non-Compliance with the Law on Fiscal Responsibility Principles – Wage Bill

As disclosed in Note 11 to the financial statements, the statement of receipts and payments reflects compensation of employees expenditure of Kshs.2,245,298,522. However, this expenditure is equivalent to 43.54% of the total revenue of Kshs.5,156,283,075. This is contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which sets the limit of compensation of employees at 35% of the total revenue.

In the circumstances, Management was in breach of the law.

367. Delayed Banking of Revenue

As disclosed in Note 9 to the financial statements, the statement of receipts and payment reflects County own generated revenues amount of Kshs.382,712,893. This revenue includes an amount of Kshs.31,910,500 from Market/Trade Centre fees and Kshs.11,541,438 from other miscellaneous receipts which is inclusive of sales of agricultural products from Kamweti Agricultural and Training Centre (ATC). However, examination of bank slips, reports and receipts from the Revenue Management Information System revealed that banking of revenue collected in cash from Market Centre Fees and Kamweti ATC was banked fortnightly or monthly. This was contrary to Regulation 81(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that receivers of revenue shall promptly pay the revenue received into the County Revenue Fund as soon as possible and in any case not later than five working days after receipt thereof.

In the circumstances, Management was in breach of the law.

368. Irregular Expenditure on Project Launch

As disclosed in Note 12 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.1,057,783,731 in respect of use of goods and services. Included in this expenditure is an amount of Kshs.40,467,106 in respect of printing, advertising and information supplies and services. It was observed that an amount of Kshs.781,000 was paid to a supplier for provisions of entertainment services during the official launch of Kerugoya town parking spaces. However, the construction of Kerugoya parking space, roads, walkways and associated works was done by the National Government through Kenya Urban Support Programme (KUSP) and the County Executive should not have incurred any unbudgeted for expenditure.

In the circumstances, the expenditure of Kshs.781,000 for launching the project was not a proper charge on public funds.

369. Misallocation of Insurance Funds

As disclosed in Note 12 to the financial statements, the statement of receipts and payments reflects expenditure of Kshs.1,057,783,731 in respect of use of goods and services. Included in this balance is an amount of Kshs.96,520,465 relating to insurance costs. It was observed that an amount of Kshs.4,322,828 was paid to a supplier for supply of fuel to the County Executive. However, the amount was reallocated from the Motor Vehicle Insurance vote without approval by the County Assembly through a supplementary budget. This was contrary to Regulation 31(a) of the Public Finance Management (County Governments) Regulations, 2015 which states that all revenue and expenditure shall be entered into the County Government budget estimates.

In the circumstances, Management was in breach of the law.

370. Irregular Expenditure on Kenya Roads Board Fund

As disclosed in Note 17 to the financial statements, the statement of receipts and payments reflects expenditure of Kshs.825,029,030 in respect of acquisition of assets. This balance includes an amount of Kshs.127,349,086 in respect of construction of roads received in the form of a conditional Grant from the Kenya Roads Board and used for the construction of roads. However, public participation, the number of kilometers of access roads that were improved and Inspection Committee were not provided.

In the circumstances, value for money for the expenditure could not be confirmed.

371. Irregular Procurement of Marram

As disclosed in Note 17 to the financial statements, the statement of receipts and payments reflects expenditure of Kshs.825,029,030 in respect of acquisition of assets. This balance includes an amount of Kshs.121,373,475 relating to construction of roads out of which an amount of Kshs.63,637,200 incurred on supply and delivery of marram. However, it was observed that in 2017/2018 financial year, the County Executive had procured road equipment and machinery worth Kshs.436,192,825 to be used for roads excavation, delivery of marram, grading and gravelling of roads. No explanation was provided as to why Management outsourced the service whereas it had the necessary equipment.

In the circumstances, the value for money for the expenditure amounting to Kshs.63,637,200 could not be confirmed.

372. Non-Compliance with Law on Staff Ethnic Composition

The County Executive recruited new County Public Service Board Members on November, 2020 after the expiry of the previous Board. However, the selection and the appointment of the Board members disregarded the provisions of ethnic balancing as seven (7) out of the ten (10) Board members appointed were from one ethnic community.

Further, review of records revealed that the County Executive has 92% of its workforce from the dominant community in the County. This is contrary to the provisions of Section 65(1)(e) of the County Governments Act, 2012 which requires County Government to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County.

In the circumstances, Management was in breach of the law.

373. Lack of an Annual Recruitment Plan

An analysis of the payrolls for the financial year under audit revealed that, the County Executive recruited seventy-eight (78) members of staff. However, the Human Resource Department did not prepare and submit the recruitment plans to the County Public Services Board contrary to Kirinyaga Human Resource Policies and Procedures on Recruitment and Appointment Part 11 the require development of an annual recruitment plans to be forwarded to the County Public Service Board at the beginning of each financial year.

In the circumstances, Management was in breach of the guidelines.

374. Inflated Pricing of Medical Supplies

As disclosed in Note 12 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.1,057,783,731 in respect of use of goods and services. Included in the expenditure is an amount of Kshs,493,365,387 spent on specialized material and services. The County Executive invited and contracted several suppliers for supply and delivery of various items to be consumed at the Kirinyaga County Referral Hospital. However, review of the procurement records revealed that included in the specialized materials, are various items procured at an amount of Kshs.23,448,956 which is Kshs.10,659,987 above the market rate as per the Public Procurement Regulation Authority Market Price Index (MPI) for March, 2021 as shown below;

Quantity	Item	Quoted Price (Kshs.)	Total Amount (Kshs.)	Market Rate Price (Kshs.)	Total (Kshs.)	Inflated Price (Kshs.)
20 pieces	Thermogun	12,000	240,000	313	6,260	233,740
1 piece	Stainless Food Trolley	320,000	320,000	87,000	87,000	233,000
3 pieces	Oxygen Gauge	19,500	97,500	12,786	38,358	59,142
2 pieces	Procedure Trolley	23,000	46,000	15,719	31,438	14,562
10 pieces	Wheel Chair Folding	50,000	500,000	12,262	122,620	377,380
23 pieces	Standard Delivery Set	26,500	609,500	11,855	272,665	336,835
6 pieces	Examination Portable Light	20,000	120,000	14,913	89,478	30,522
5 piece	Oxygen Flowmeter	28,500	142,500	12,786	63,930	78,750
100 pieces	Face Mask 3ply with Shield	1,915	191,520	969	96,900	94,620
300 pieces	Face Mask N95 3M	2,000	600,000	645	193,500	406,500
1000 pieces	Face Mask N95	2,000	2,000,000	645	645,000	1,355,000
3000 pieces	Examination Latex Gloves	1,500	4,500,000	618	1,854,000	2,646,000
4 Units	ICU Beds and Equipment	3,520,484	14,081,936	2,322,000	9,288,000	4,793,936
Total			**23,448,956**		**12,789,149**	**10,659,987**

In the circumstances, value for money for the expenditure of Kshs.10,659,987 could not be ascertained.

375. Irregular Subscriptions to the Council of Governors

During the year under review, the County Executive paid an amount of Kshs.3,403,267 as contribution to the Council of Governors liaison offices located at Westlands, Nairobi. However, the payment was not based on any legislation or policy and contravened Section 37 of the Inter-Governmental Relations Act, 2012 which provides that operational expenses for the structures and institutions established by the Act shall be provided for in the annual estimates of the revenue and expenditure of the National Government.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

376. Information Communication Technology Controls

Review of Information Communication Technology (ICT) Controls and environment records indicated that the County Executive's ICT Department did not have a current ICT Strategic plan in place, no ICT Steering Committee and there were no Continuity Plan and Disaster Recovery Plan.

In the circumstances, Management preparedness for the future, responses to risks, threats and disaster recovery could not be confirmed.

377. Weaknesses in the Revenue Management System

It was observed that an amount of Kshs.5,983,998 was paid as Project Sign Off to a consultant for the proposed design, development, supply, installation and commissioning of a revenue management system.

However, the following anomalies were noted from the review of the system;

i. There was issuance of several official receipts against single deposit slips during receipting of service in the Single Business Permit Module as the system could not detect duplication of bank slip reference numbers in different receipts posing a risk of re-use of bank-slips.

ii. Some users could generate receipts for the clients whose payment details could not be traced in the system.

iii. The system could not capture collectors bank slips reference numbers making it impossible for the system users to reconcile receipts from bank deposits.

iv. The system could not produce comprehensive reports that included all applications done in Single Business Permit Module and General Billing Module with their payment or approval status.

v. There was no system administrator from the user department (Revenue Department).

In the circumstances, existence of effective internal control in the revenue management system could not be confirmed.

COUNTY EXECUTIVE OF MURANG'A - NO.21

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

378. Inaccuracies in Financial Statement

The statement of receipts and payments reflects total payments amounting to Kshs.7,854,509,399 which includes payments totalling to Kshs.2,211,085,248 in respect to twelve (12) expenditure items out of which payments amounting to Kshs.1,410,729,496 were not supported with relevant documents as shown below:

	Item	Note	Amount as per the Statement of Receipts and Payments (Kshs.)	Supported Amount (Kshs.)	Unsupported Amount (Kshs.)
1.	Hospitality Supplies and Services	12	22,678,501	2,952,705	19,725,796
2.	Routine Maintenance - Other Assets	12	402,256,787	66,847,872	335,408,915
3.	Training Expense	12	46,073,374	14,175,585	31,897,789
4.	Foreign Travel and Subsistence	12	2,691,867	-	2,691,867
5.	Subsidies	13	71,569,229	-	71,569,229
6.	Other Capital Grants and Transfers	15	312,355,924	125,463,177	186,892,747
7.	Social Security Benefits	16	4,808,646	-	4,808,646
8.	Acquisition of Strategic Stocks and Commodities	17	3,296,000	-	3,296,000
9.	Rehabilitation of Civil Works	17	2,888,071	-	2,888,071
10.	Construction and Civil Works	17	258,675,715	240,816,128	17,859,587
11.	Other Payments	20	1,010,651,757	346,149,220	664,502,537
	Total		**1,664,245,342**	**586,965,348**	**951,816,817**

Further, the schedules provided did not specify the nature of each payment.

In addition, the expenditure schedule provided for domestic travel and subsistence of Kshs.74,615,602 was at variance with the balance reflected in Note 12 to the financial statements of Kshs.73,139,377 resulting in an unreconciled variance of Kshs.1,476,225.

In the circumstances, the accuracy and completeness of the respective expenditure items could not be confirmed.

379. Inaccuracies in the Summary Statement of Appropriation

The summary statement of appropriation - recurrent and development combined reflects total actual expenditure of Kshs.7,854,509,399 whereas the statement of budget execution by programmes and sub-programmes reflects total actual expenditure of Kshs.6,733,370,397, resulting in an unexplained variance of Kshs.1,121,139,002. Further, the statement of budget execution by programmes and sub-programmes includes an actual expenditure amount of Kshs.1,163,300 whose programme, sub-programme and budget amount were not disclosed.

In the circumstances, the accuracy of the summary statement of appropriation - recurrent and development combined and the statement of budget execution by programmes and sub-programmes could not be confirmed.

380. Unsupported Revenue Collection

The statement of receipts and payments and as disclosed in Note 9 to the financial statements reflects County own-generated revenue amounting to Kshs.620,011,720 which includes revenue of Kshs.104,427,094 generated from hospitals and health centres and Kshs.24,866,755 collected by Public Health Department through a mobile money platform and direct banking to specific accounts. However, Management did not provide the bank statements for Muranga Level 4 Hospital Revenue Collection Account and the Gatanga Sub-county and Kirwara Hospital mobile money platform paybill statements.

In the circumstances, the completeness and accuracy of receipts of Kshs.104,427,094 generated from hospitals and health Centres and Kshs.24,866,755 collected by Public Health Department could not be confirmed.

381. Inaccuracies in Compensation of Employees

The statement of receipts and payments and as disclosed in Note 11 to the financial statements reflects compensation of employees expenditure totalling to Kshs.3,376,207,299. However, the payroll reflects a total expenditure of Kshs.3,592,079,003 resulting in an unreconciled variance of Kshs.215,871.704. Further, payment vouchers were not provided for audit.

In the circumstances, the accuracy and completeness of compensation of employees amounting to Kshs.3,376,207,299 could not be confirmed.

382. Unsupported Covid-19 Funds

Disclosed under other important disclosures to the financial statements is Covid-19 Funds balance of Kshs.84,994,102 comprising of balance brought forward of Kshs.88,948,436, amount received during the year of Kshs.63,510,000 and payments made during the year of Kshs.67,464,334. However, supporting documents provided in respect of payments made during the year amounted to Kshs.79,700,550, resulting in an explained difference of Kshs.12,236,216.

In the circumstances, the accuracy and completeness of Covid-19 funds balance of Kshs.84,994,102 could not be confirmed.

383. Unsupported Pending Bills

Note 1 and 2 of other important disclosures to the financial statements reflect pending bills totalling Kshs.1,918,400,872 consisting of a balance of Kshs.1,657,054,151 and Kshs.261,346,721 as pending accounts payable and pending staff payables respectively, as at 30 June, 2021. However, vouchers, local purchase /service orders, contracts and invoices were not provided for audit to support the balance.

Further, the disclosure Note reflects opening pending accounts payable balance of Kshs.1,258,944,867 while the supporting schedule reflects a balance of Kshs.409,505,838 resulting to an unexplained difference of Kshs.849,439,008.

In the circumstances, the accuracy and completeness of disclosures made on the pending bills balance of Kshs.1,918,400,872 could not be confirmed.

384. Unsupported Payment to Council of Governors

The Management incurred an expenditure of Kshs.2,000,000 paid to Council of Governors. However, this payment was not supported by relevant supportive documents to warrant the payment.

In the circumstances, the accuracy of the expenditure amounting to Kshs.2,000,000 could not be confirmed.

Other Matter

385. Unresolved Prior Year Issues

The audit report for 2019/2020 financial year highlighted several unsatisfactory issues on financial statements balances and lawfulness and effectiveness in use of public resources. However, the progress made in resolving the issues, as prescribed in the reporting requirements set by the Public Sector Accounting Standards Board has not been included in the financial statements.

386. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final approved expenditure budget of Kshs.8,884,912,813 and actual expenditures totalling to Kshs.7,854,509,399resulting in an aggregate under absorption of Kshs.1,030,403,414 or 11.6 %.

Similarly, the statement indicates that the County Executive had budgeted to raise Kshs.900,000,000 in County own generated receipts from local sources. However, actual amount collected was Kshs.620,011,720 of projected own-generated receipts, resulting in a revenue shortfall of Kshs.279,988,280 or 31% of the budget.

The under collection and under absorption adversely affected the planned activities and may affect servive delivery to the public.

387. Revenue Targets on County Own Generated Receipts

Review of County own revenue collection for the past five (5) years from 2016/17 to 2020/2021 financial year's revealed continuous failure to meet budget targets as detailed in the table below:

Year	Revenue Target/ Budget (Kshs.)	Actual Receipts (Kshs.)	Revenue Shortfall (Kshs.)	% of Actual to Budget
2016/2017	880,000,000	535,583,977	351,118,925	61
2017/2018	850,000,000	423,996,982	426,003,018	50
2018/2019	1,000,000,000	699,007,969	300,992,031	70
2019/2020	960,000,000	551,677,223	408,322,777	57
2020/2021	900,000,000	620,011,720	279,988,280	69

Failure to realize budgeted revenue affected the planned activities and may have affected negatively on service delivery to the public.

388. Late Exchequer Release

The statement of receipts and expenditure and as disclosed in Note 1 to the financial statements reflects total exchequer releases of Kshs.7,413,339,317, out of which an amount of Kshs.2,260,774,873 or 30% of the exchequer releases were received during the months of June and July, 2021 an indication of delayed disbursements of funds by the National Treasury.

Late disbursement of exchequer releases by the National Treasury impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

389. Compensation of Employees

389.1 Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

During the year under review, the County Executive incurred a total of Kshs.3,376,207,299 on compensation of employees which is 39.9 % of the total county revenue of Kshs.8,465,302,741. This is contrary to Section 107(2)(c) of the Public Finance Management Act, 2012 and Regulation 25(a&b) of the Public Finance Management

(County Governments) Regulations, 2015 which provides that county government wages and benefits shall not exceed 35 % of total county government revenue for the year.

In the circumstances, Management was in breach of the law.

389.2 Lack of Approved Staff Establishment

The statement of receipts and payments reflects compensation of employees' expenditure of Kshs.3,376,207,299 against a budget of Kshs.3,888,925,823. However, the County Executive did not have an approved staff establishment contrary to the provisions of Regulation 119(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that the budget on remuneration should be based on an approved human resource plan.

In the circumstances, Management was in breach of the law.

389.3 Payment of Permanent Staff Outside IPPD Payroll

The County Executive had an automated Integrated Payroll and Personnel Database (IPPD) system in place. Review of the monthly payrolls revealed that two hundred and fifty-two (252) staff had not been included in the database and were paid an amount of Kshs.221,525,158 outside the IPPD payroll . Explanation given by Management was that these officers did not have personal numbers. This was contrary to the Treasury Circular No.9/2017 that requires Personnel emolument to be supported by IPPD.

In the circumstances, Management was in breach of the law.

390. Irregular Procurement of Fertilizer Transportation

The statement of recipts and payments and as disclosed in Note 12 to the financial statements reflects use of goods and services expenditure of Kshs.1,528,995,686, which further includes specialized materials and services amount of Kshs.661,124,947. The amount further includes an expenditure of Kshs.7,168,241 paid to two (2) firms in respect of transportation of fertilizer from the National Cereals and Produce Board depots to the eight (8) Sub-counties.

However, review of the procurement process revealed that the contracts were awarded through restricted tendering and no justification was provided for the use this method instead of open national tender. In addition, the contracts for the two firms and the mandatory bidding documents for one of the firms were not provided for audit review while the tax compliance certificate for the other firm had expired.

In the circumstances, the propriety of the expenditure of Kshs.7,168,241 could not be confirmed.

391. Irregular Constitution of the County Municipal Board

Review of the composition of the County Municipal Board revealed that the Board had eight (8) members instead of nine (9) and no representative of the registered associations

of the informal sector in the County had been nominated. This is contrary to Section 14 of the Urban Areas and Cities Act, 2019 which requires that a Board of Municipality shall consist of nine members.

In the circumstances, Management was in breach of the law.

392. Acquisition of Assets

The statement of receipts and payments and as disclosed in Note 17 to the financial statements reflects acquisition of assets expenditure of Kshs.377,805,951. The following observations were made:

392.1 Drilling and Equipping of Kiambamba Borehole

The expenditure includes construction and civil works expenditure of Kshs.258,675,715 which, further includes an amount of Kshs.4,909,702 paid to a firm for drilling and equipping of Kiambamba borehole at Muranjao Secondary School, Kambiti ward. According to a water quality analysis report, the water had colour and iron minerals were at a level which exceeded those allowed for domestic use. The report recommended treatment of the water to reduce the impurities. During project inspection, it was observed that the community was using the water from the project. However, there was no evidence provided to show that the County Executive had installed a water treatment plant for the water.

In the circumstances, the community is exposed to health risks associated with consumption of untreated water.

392.2 Unsupported Supply of Water Tanks

The expenditure includes construction and civil works balance of Kshs.258,675,715. Included in the exenditure is an amount of Kshs.3,300,000, Kshs.1,080,000 and Kshs.1,440,000 paid for the supply of three hundred (300) plastic tanks to Early Childhood Development (ECD) centres, two hundred (200) water tanks to mitigate the effects of Covid-19 pandemic and three (3), 24,000 litres water tanks respectively. However, stores records indicating the quantities received and the distribution list indicating where the tanks were delivered were not provided for audit.

In the circumstances, the propriety of the expenditure totalling Kshs.6,820,000 on supply of plastic water tanks could not be confirmed.

392.3 Supply and Delivery of Sports Uniform and Equipment

The expenditure includes construction and civil works balance of Kshs.258,675,715 which, further includes an amount of Kshs.2,476,557 paid to a firm in respect to the supply of sports uniform and equipment, irregularly charged under acquisition of assets (construction and civil works) instead of use of goods and services.

Review of the procurement records for this contract revealed that Management engaged a firm for the supply and delivery of sports uniform and equipment yet the firm was not among the bidders for the contract. This was contrary to Section 91 of the Public

Procurement and Asset Disposal Act, 2015 which provides that open tendering shall be the preferred procurement method for procurement of goods, works and services and the procuring entity may use an alternative procurement procedure only if that procedure is allowed and satisfies the conditions under this Act for use of that method.

Further, it was not possible to establish how the goods were received and issued since only an unsigned delivery note was provided for audit.

In the circumstances, the propriety of the expenditure of Kshs.2,476,557 on the supply of sports uniform and equipment could not be confirmed.

392.4 Irregular Procurement of Consultancy Services

The expenditure includes construction and civil works balance of Kshs.258,675,715 which further includes an amount of Kshs.1,200,000 paid to a firm in respect of consultancy services for nurses training on Covid-19 pandemic and charged under acquisition of assets (construction and civil works) instead of use of goods and services.

Further, the firm was directly procured at a cost of Kshs.1,200,000 contrary to Section 91 of the Public Procurement and Asset Disposal Act, 2015 which provides that open tendering shall be the preferred procurement method for procurement of goods, works and services and the procuring entity may use an alternative procurement procedure only if that procedure is allowed and satisfies the conditions under this Act for use of that method. No justification was given for the direct procurement. In addition, the signed attendance list for the training was not provided for audit.

In the circumstances, propriety of nurses training expenditure of Kshs.1,200,000 could not be confirmed.

392.5 Unexplained Payment of Consultancy Services

The expenditure includes construction and civil works amount of Kshs.258,675,715 which, further includes an amount of Kshs.2,255,500 paid to a firm on 26 February, 2021 in respect of architectural consultancy services for renovation and remodeling of Gakoigo Show Ground and Sports Stadium. The consultancy service was procured in the financial year 2015/2016 at a contract sum of Kshs.11,699,000. However, Management did not provide for audit an analysis of payments detailing total amounts paid to date to the contractor, the consultancy contract and the final consultancy report.

In the circumstances, the propriety of the expenditure of Kshs.2,255,500 on consultancy services could not be confirmed.

392.6 Procurement of Water Pipes for Water Extension Project

The expenditure includes an amount of Kshs.2,890,604 paid to a firm for the supply of water pipes for water extension project at Kaharo Dispensary area. Review of the procurement process revealed that quotations were floated and three bidders evaluated. However, the evaluation committee did not consider the validity of the mandatory documents submitted by the bidders as the winning bidder had a tax registration certificate

dated 31 December, 2012 while the firm was incorporated on 10 September, 2013. It is not clear how the firm obtained a tax registration certificate before its incorporation.

In the circumstances, the propriety of the expenditure of Kshs.2,890,604 for the supply of water pipes could not be confirmed.

392.7 Irregular Procurement of Intensive Care Unit (ICU) Equipment

The expenditure includes purchase of specialized plant, equipment and machinery amount of Kshs.45,527,831, which includes an amount of Kshs.16,100,000 paid to a firm for supply of various ICU Equipment on 14 February, 2021. However, the tender opening minutes and tender evaluation minutes were not provided for audit review. This was contrary to Section 80(1) of the Public Procurement and Asset Disposal Act, 2015 that requires the evaluation committee to evaluate and compare the responsive tenders.

In the circumstances, Management was in breach of the law.

393. Irregular Procurement for Purchase of ICT Equipment

The statement of receipts and paymnets and as disclosed in Note 20 to the financial statements reflects other payments amount of Kshs.1,011,892,157, which further includes an amount of Kshs.1,603,862 paid to a firm in respect of supply of ICT equipment to Murang'a County Referral Hospital ICU unit. However, procurement documents including tender opening minutes, evaluation committee minutes and inspection and acceptance committee minutes were not provided for audit review.

Further includes an amount of Kshs.2,000,000 paid to a firm for the supply of eighty thousand (80,000) gravelia robusta tree seedlings. However, the procurement records relating to the purchase of seedlings were not provided for audit review.

In the circumstances, the regularity, accuracy and completeness of other payments totalling to Kshs.3,603,862 could not be confirmed.

394. Irregular Purchase of Tree Seedlings

Note 20 to the financial statements reflects other payments amount of Kshs.1,011,892,157 which further includes an amount of Kshs.2,000,000 paid to a firm for the supply of eighty thousand (80,000) gravelia robusta tree seedlings. However, the procurement records relating to the purchase of seedlings were not provided for audit review.

In the circumstances, the propriety of expenditure of Kshs.2,000,000 on tree seedlings could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

395. Weaknesses in Management of Receipt Books

Note 9 to the financial statements reflects an amount of Kshs.620,011,720 under County own- generated receipts which, that includes revenue of Kshs.43,557,000 attributable to un-surrendered receipts books held in different Sub- counties, some issued in the year 2018. No effort has been made by Management to establish reasons for not surrendering the receipt books. Further, the internal control system on issue of receipt books was weak, as officers are issued with additional receipt books before surrendering or accounting for the previously issued receipt books.

In the circumstances, existence of an effective internal control system on revenue collection could not be confirmed.

396. Summary of Non-Current Assets Register

Disclosed under Annex 6 to the financial statements is a summary of non-current assets register with a historical cost balance of Kshs.4,847,208,459 as at 30 June, 2021. However, Management did not provide an updated non-current asset register.

Further, the County Executive owns biological assets at its Mariira Farm which have not been valued and included in the assets register.

In addition, there was no evidence indicating that opening balances included assets and liabilities inherited from the defunct Local authorities in Muranga County. Further, assets were not tagged and properly recorded in the assets registers.

In the circumstances, the assets of the County Executive are prone to misplacement and loss.

COUNTY EXECUTIVE OF KIAMBU - NO.22

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

397. County Own Generated Receipts

The statement of receipts and payments and as disclosed in Note 9 to the financial statements reflects County own generated receipts of Kshs.2,392,873,847. However, the following observations were made:

397.1 Inaccuracies in Revenue

Review of the transaction file from a revenue system revealed duplicated receipt numbers for receipts totalling to Kshs.19,067,308.

Further, included in this revenue is an amount of Kshs.292,531,794 in respect of property income. Review of property records maintained revealed incomplete details/information in the database. The incomplete information included 5379 properties without annual rent or rate mapped, 1244 properties without corresponding plot numbers and 4992 properties without corresponding block numbers.

In addition, out of the twelve (12) Sub-counties, six (6) Sub-counties were sampled for physical verification exercise carried out in the month of November, 2021. Revenues examined during the verification revealed the following variances:

Sub-County	Cash Book (Kshs.)	Revenue Returns (Kshs.)	Variance (Kshs.)
Githunguri	38,678,058	40,948,747	(2,270,689)
Limuru	84,858,020	114,684,694	(29,826,674)
Kabete	72,612,894	70,875,598	1,737,296
Kiambu	237,901,845	204,740,870	33,160,975
Kikuyu	131,457,198	150,766,202	(19,309,006)
Total	**565,508,015**	**582,016,111**	**(16,508,098)**

However, the revenue system summaries for Ruiru Sub-county were not submitted for audit verification. Further, analysis of another revenue collection system for the same Sub-county revealed a collection totalling to Kshs.360,366,480 which differed with the amount of Kshs.220,920,498 reflected in the Sub-county revenue cashbook resulting to an unreconciled variance of Kshs.139,445,982.

397.2 Variance Between Financial Statements and Ledger

Included in revenue is an amount of Kshs.30,640,179 relating to liquor licenses. However, review of the ledger revealed that revenue collected amounted to Kshs.30,588,820 resulting to an unreconciled variance of Kshs.51,359.

Further, the financial statements of Kiambu County Alcoholic and Drinks Control Fund for the year 2020/2021 indicated that the funds transferred to County Revenue Fund (CRF) amounted to Kshs.30,978,619 during the year under review resulting to an unreconciled variance of Kshs.338,440.

397.3 Variance Between Revenue Reports and Financial Statements

As disclosed in Note 9, the statement of receipts and payments reflects County own generated receipts of Kshs.2,392,873,847. An analysis of revenue schedules revealed that the County collected a total of Kshs.1,537,601,730 through aa revenue collection system. However, the balance differs with the detailed database report which reflected a balance of Kshs.1,132,664,224 resulting to an unexplained variance of Kshs.404,937,505. Further, the revenue schedules and the detailed database reports differed with the reported County own generated receipts by Kshs.855,272,117 and Kshs.1,260,209,623 respectively.

In the circumstance, the accuracy of County own generated receipts of Kshs.2,392,873,847 could not be confirmed.

398. Proceeds from Domestic and Foreign Grants

The statement of receipts and payments and as disclosed in Note 2 to the financial statements reflects proceeds from domestic and foreign grants of Kshs.1,506,804,721. Included in the amount is receipt in form of COVID-19 donation amount of Kshs.32,073,740 from a development partner, in respect to reimbursement of staff costs of Medically Assisted Therapy (MAT) Clinic at Karuri Level Four Hospital. However, review of CRF bank statement and its cash book revealed that the grant was not received through the CRF. Further, it was not possible to ascertain the account into which the donation was deposited.

In the circumstances, the accuracy, completeness and existence of COVID-19 donation amount of Kshs.32,073,740 could not be confirmed.

399. Inaccuracies in Pending Accounts Payables

Annex 2 to the financial statement reflects pending accounts payable balance of Kshs.4,103,246,898 . The balance includes an amount of Kshs.915,769,006 relating to supply of goods. The supply of goods pending bill schedule reflected Kenya Medical Supplies Agency (KEMSA) outstanding bills of Kshs.44,246,985 which differred with the balance of Kshs.106,000,000 reported in the financial statements for KEMSA as at 30 June, 2021 resulting to an unreconciled difference of Kshs.61,932,666.

In the circumstances, the accuracy of supply of goods pending bills of Kshs.915,769,006 could not be confirmed.

400. Inaccuracies in Accounts Payables - Deposits and Retentions

As disclosed in Note 23 to the financial statements, the statement of assets and liabilities reflects accounts payables – retention money and deposit balance of Kshs.141,274,486. However, the balance was not supported by a retention register and the summary of non-current asset register reflected that during the year, the total additions amounted to Kshs.2,029,750,697 which would translate into an amount of Kshs.202,975,070 in retention monies instead of an amount of Kshs.141,274,486 as captured in the financial statements.

Further, review of the deposit cashbook showed that some transactions made in July, 2021 were recorded as part of the receipts and payments for the year thereby overstating the accounts payables balances for the period by Kshs.2,723,098.

In the circumstances, the accuracy and completeness of accounts payable – deposits and retention balance of Kshs.141,274,486 could not be confirmed.

401. Unsupported Prior Year Adjustments

The statement of assets and liabilities and as disclosed in Note 25 to the financial statement reflects prior year adjustments debit balance of Kshs.602,470,815. The balance comprises of unspent balances from the County Revenue Fund of Kshs.384,465,627, an amount of Kshs.344,197 unspent balance in operations account transferred back to CRF Account at closure of financial year and an overcast error of Kshs.217,661,021. However, the supporting records of these balances were not submitted for audit.

In the circumstances, the accuracy and regularity of the prior year adjustments of Kshs.602,470,815 could not be confirmed.

402. Misclassification of expenditures

Review of expenditures revealed misclassification totalling to Kshs.158,214,206 as shown below:

Wrongly Charged Account	Amount Charged (Kshs.)	Correct Account
Routine Maintenance - Other Assets	6,734,000	Membership Fees, Dues and Subscription to Professional Bodies
Construction of Roads	1,247,928	Construction and Civil Works
Construction and Civil Works	32,850,143	Construction of Roads
Compensation of Employees	117,382,135	Use of Goods and Services
Total	**158,214,206**	

The misclassification of expenditures totalling to Kshs.158,214,206 results in distortion of actual expenditure lines used by Management in budgeting and reporting.

In the circumstances, the accuracy of the expenditure totalling to Kshs.158,214,206 could not be confirmed.

403. Unsupported Use of Goods and Services

The statement of receipts and payments and as disclosed in Note 12 to the financial statements reflects use of goods and services totalling to Kshs.1,788,338,045. However, expenditure totalling to Kshs.18,040,211 being expenditure relating to insurance costs and finance costs of Kshs.5,940,211 and Kshs.12,100,000 respectively was not supported.

In the circumstances, the accuracy of the expenditure of Kshs.18,040,211 could not be confirmed.

404. Acquisition of Assets

The statement of receipts and payments and as disclosed in Note 17 to the financial statements reflects acquisition of assets expenditure of Kshs.2,032,503,092. However, expenditure totalling to Kshs.74,677,888 being expenditure in regard to purchase of vehicles and other transport equipment, rehabilitation and civil works and purchase of specialized plant, equipment and machinery of Kshs.18,300,000, Kshs.33,800,000 and Kshs.22,577,888 respectively was not supported.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.74,677,888 could not be confirmed.

405. Pending Bills

Other important disclosures to the financial statements under Section 7.10 reflects pending bills balance of Kshs.5,747,218,618 comprising of pending accounts payables of Kshs.4,103,246,898, pending staff payables of Kshs.37,925,702 and other pending payables of Kshs.1,606,046,018. However, sampled pending bills amounting to Kshs.218,553,484 were not supported by payment vouchers or other documentation.

Further, included in the other pending payables of Kshs.1,606,046,018 is a balance of Kshs.993,830,923 in respect of Facility Improvement Funds (FIF) which were not remitted to the health facilities within the County. A detailed analysis of how much is owed to which health facility was not provided for audit.

In the circumstances, the occurrence and regularity of pending bills of Kshs.5,747,218,618 could not be confirmed.

406. Unsupported Compensation of Employees

As disclosed in Note 11 to the financial statements, the statement of receipts and payments reflects compensation of employees expenditure of Kshs.6,782,828,838. Included in the amount is wages of temporary employees amounting to

Kshs.299,079,462. However, the following anomalies for expenditure totalling to Kshs.100,235,876 were noted:

i. Vote accounts code correction amount of Kshs.17,500,000 dated 30 June, 2021 was not supported by any documentation.

ii. Manual adjustment on various dates amounting to Kshs.57,162,476 were not supported by any documentation and approvals.

iii. Double payments of Kshs.11,816,858 made on 1 October, 2020 were not supported by payment vouchers.

iv. Misclassification of net pay for May, 2021 of Kshs.13,756,542 was charged to contractual employees.

In the circumstances, the accuracy and completeness of expenditure totalling to Kshs.299,079,642 in respect of wages of temporary employees could not be confirmed.

407. Cash and Cash Equivalents

407.1 Inaccuracies in Cash and Cash Equivalents Balance

The statement of assets and liabilities and as disclosed in Note 21A to the financial statements reflects a balance of Kshs.1,011,961,312 held in seventeen (17) bank accounts. Information provided under disclosure of balances in revenue collection accounts under Note 7.10 (other important disclosures), indicate that various County Executive entities held a total of Kshs.325,516,490 in thirty-three (33) bank accounts maintained in various commercial banks. Review of records indicated that Management did not submit on monthly bank reconciliation statements for all the thirty-three (33) bank accounts for audit review.

Further, certificates of bank balances, bank reconciliation statements and board of survey reports were not provided for audit.

It was also noted that the County did not operate a County Treasury Single Account (CTSA) as required by law. Further, examination of the cashbook balance, bank reconciliations statements and financial statements balances shows varying amounts for balances as at 30 June, 2021 that ordinarily should agree as analyzed below:-

Bank	Account Number	Financial Statements (Kshs.)	Bank Reconciliation Statements (Kshs.)	Cashbook (Kshs.)
CBK - Kiambu County Revenue Fund - Kshs	10000170646	803,420,757	803,420,757	Not provided
CBK - Kiambu County Deposit Account - Kshs	10000299142	141,274,485	138,551,386	137,255,977

Bank	Account Number	Financial Statements (Kshs.)	Bank Reconciliation Statements (Kshs.)	Cashbook (Kshs.)
CBK - Kiambu County-Road Maint. Levy Fund - Kshs	10000250836	879,656	Not provided	Not provided
CBK - Kiambu County Special Purpose Health - Kshs	1000336358	41,580,074	41,580,074	41,580,074
CBK - Kiambu County Special Purpose Education - Kshs	1000368648	5,148	5,148	5,148
CBK - Kiambu County Special Purpose Agriculture - Kshs	1000365919	0.08	0.08	Not provided
CBK - Kiambu County KE Urban Support Progress - Kshs	1000370718	1.35	Not provided	Not provided
Family Bank - Kiambu County Operations	1000044058	Nil	3,120	Not provided
Cooperative Bank - Kiambu County Revenue Bank	01141371543502	24,692,851	54,291,306	Not provided
Total		**1,011,852,972**	**1,037,851,791**	**178,841,199**

407.2 Undisclosed Bank Accounts

Review of the list of bank accounts operated by the County Executive indicated that a total of sixty (60) bank accounts were maintained in various commercial banks. However, the accounts have not been disclosed in the financial statements and their bank reconciliation statements were not submitted to the Office of the Auditor-General on a monthly basis.

407.3 Bank Reconciliation Statements

a) The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.1,011,961,312. Included in the balance is a total of Kshs.605 relating to the recurrent bank account maintained at the Central Bank of Kenya. Review of the bank reconciliation statements as at 30 June, 2021 revealed the following:

i. Payments in the cashbook not yet recorded in bank statement (unpresented cheques) totalling to Kshs.1,126,749,327 which were recorded in the cashbook in the month of June, 2021 while the corresponding payment dates for the reconciling items in the bank reconciliation statement were indicated to be in the month of July, 2021.

ii. A sample of reconciling items totalling to Kshs.303,000,000 were selected for testing from payments in the cashbook not yet recorded in the bank statements to confirm accuracy of the reconciling items. However, out of the selected sample for testing, payments totalling to Kshs.214,067,232 could not be traced to the cashbook**.**

b) Examination of the cashbook for operations bank account maintained at a commercial bank reflected a nil balance. However, the cashbook and bank reconciliation statement revealed the following issues: -

i. The cashbook reflected numerous overwriting on various pages which had not been counter signed.

ii. Examination of the bank reconciliation statement as at 30 June, 2021 reflected an amount of Kshs.13,756,167 being receipts in cashbook not reflected in the bank statement. Further, payments amounting to Kshs.11,174,708 were reflected as payments in the cashbook not in bank statements.

In the circumstances, the accuracy, completeness and regularity of cash and cash equivalents balance of Kshs.1,011,961,312 could not be confirmed.

408. Unsupported Outstanding Payables

Included in the other pending payables balance of Kshs.1,606,046,018 under Annex 4 is a balance of Kshs.399,511,656 in respect of NHIF rebates. The Management did not provide details of how much each of the facilities was owed. Failure by the Management to remit the NHIF receipts to respective hospitals affects service delivery to the residents of Kiambu because they may not access quality health care services.

In the circumstances, the regularity of the expenditure of Kshs.399,511,656 could not be confirmed.

409. Understatement of Acquisition of Assets

The statement of receipts and payments and as disclosed in Note 17 to the financial statements reflects acquisition of assets expenditure of Kshs.2,032,503,092. Included in the expenditure is an amount of Kshs.62,170,000 relating to purchase of vehicles and other transport equipments. However, review of expenditure records revealed a total of Kshs.78,170,000 was incurred on purchase of motor vehicle resulting to an unreconciled variance of Kshs.16,000,000.

In the circumstances, the accuracy and completeness of purchase of vehicles and other transport equipments expenditure of Kshs.62,170,000 could not be confirmed.

Other Matter

410. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects that the County Executive had budgeted to generate revenue amounting to Kshs.3,795,881,193 from local sources. However, the actual amount collected was Kshs.2,392,873,847 which resulted into revenue shortfall of Kshs.1,403,007,346 or 37% of the budget. The Management attributed the shortfall to the significant decline from public health facilities stream arising from Covid-19 and the effect of the pandemic on

small scale traders leading to a decline in market fees. Similarly, the statement reflects total payments of Kshs.14,824,927,517 against the approved budgeted expenditure of Kshs.17,878,401,138 resulting in under-absorption of Kshs.3,053,473,621 or 17% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

411. Late Exchequer Releases

The statement of receipts and payments reflects exchequer releases of Kshs.10,781,542,963. Review of records revealed that an amount of Kshs.2,695,990,552 of the Exchequer releases were received during the months of June and July, 2021, an indication of delayed disbursements of funds by The National Treasury.

Failure to remit Exchequer funds by The National Treasury in time may have impacted negatively on service delivery.

412. Pending Payables

Disclosed in Annex 2, 3 and 4 to the financial statements under other important disclosures reflects total pending bills balance of Kshs.5,747,218,618 as at 30 June, 2021. Included in the pending bills is a balance of Kshs.3,786,831,109 brought forward from financial year 2019/2020 and earlier years.

Failure to settle pending bills within the year which they relate affects the budget operations of the succeeding year as they form first charge.

413. Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for the delay in resolving the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

414. Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

The total County Executive revenue during the year amounted to Kshs.15,081,231,092 whereas the actual expenditure on compensation of employees amounted to Kshs.6,782,828,838 translating to approximately 45% of the total revenue. This is

contrary to the recommended maximum threshold of 35% as stipulated under Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015.

Further, County Executive does not have an approved staff establishment.

In the circumstance, Management was in breach of the law.

415. Non-Compliance with the One-Third of Basic Salary Rule

Review of payroll data for a period of nine (9) months for the year under review revealed that there were 3,324 employees who were paid a net salary of less than a third (1/3) of their basic pay. This was contrary to the provisions of the County Human Resource Manual, 2019, Section D.1.0 (3), public officers shall not over commit their salaries beyond two thirds of their basic salaries and heads of human resource units should ensure compliance.

In the circumstances, Management was in breach of the law.

416. Non-Compliance with the Law on Staff Ethnic Composition

Review of the payroll data revealed that there were 5,664 employees as at 30 June, 2021 with the dominant ethnic community in the County comprising 83% of staff. This is contrary to Section 65(1)(e) of the County Governments Act, 2012 that require the County Public Service Board to consider at least thirty percent (30%) of the vacant posts at entry level to be filled by candidates who are not from the dominant ethnic community in the County.

In the circumstances, Management was in breach of the law.

417. Irregular Payment of Emergency Call Allowance

Management paid 835 employees in the medical field an amount of Kshs.92,524,285 more than their emergency call allowance entitlement. This was contrary to the provisions of Salaries and Remuneration Commission (SRC) Circular dated 14 September, 2015 that determined the emergency call allowance payable to Doctors (Medical Officers, Dentists, Pharmacists) deployed in hospitals at the rate of Kshs.30,000 per month irrespective of grade.

In the circumstances, Management was in breach of the law.

418. Payment of Salaries Using Manual Payrolls

Review of records revealed that as at 30 June, 2021, the County Executive had a total of 7,216 employees. It was noted that salaries for 5,664 of the employees were processed through the Government approved IPPD while an amount of Kshs.555,494,447 was paid through manual payrolls and no explanation was provided for the anomaly. Further, sixteen (16) employees did not have Personal Numbers and Tax Personal Information Number (PIN) contrary to Section 37(1) and (2) of the Income Tax Act Cap 470.

In the circumstances, Management was in breach ofthe law.

419. Non-Compliance with Deductions and Remittances of Statutory Dues

As disclosed in Note 16 to the finacial statements, the statement of receipts and payments reflects a total of Kshs.25,696,653 paid out under the Pension and other Social Security Scheme Regulations. However, the remittance to the statutory bodies could not be confirmed since the acknowledgement of payments were not provided for audit verification. This was contrary to Section 20(1) of the National Social Security Fund Act, 2013.

In the circumstances , Management was in breach of the law.

420. Irregular Appointment of Acting Sub-county Administrators

Review of records at the Sub-county offices revealed that four (4) out of the twelve (12) Sub-county Administrators were on acting capacity for more than 6 months. It was also noted that the officers were not paid acting allowance as per the Kiambu Public Services Manual.

In the circumstances, Management was in breach of manual.

421. Irregular Hiring of Casual Workers

Review of records indicated that Management hired two thousand two hundred and ninety-nine (2,299) casual employees, during the year under review. However, the records provided lacked details of the hiring procedures and personal information including Identification numbers, PIN and approvals by advisory committees.

Further, there was no evidence that the County Public Service Board was involved in the hiring, reports on the work done by the casuals and detail on how the casuals were identified and recruited were not provided.

In addition, at Thika Level 5 Hospital casuals were paid an amount of Kshs.27,650,183. This amount has risen from Kshs.19,378,380 or 30% from the previous financial year 2019/2020.

This was contrary to the County Human Resource policy.

In the circumstances, Management was in breach of the County Human Resource policy.

422. Use of Goods and Services

The statement of receipts and payments and as disclosed in Note 12 to the financial statements reflects use of goods and services expenditure of Kshs.1,788,338,045. The following observations were made:

422.1 Hospitality Supplies and Services

Included in the expenditure is an amount of Kshs.69,632,081 relating to hospitality supplies and services expenditure. Review of records and procurement documents revealed that payments totalling to Kshs.15,987,095 were made without compliance with the following sections of the Public Procurement and Asset Disposal Act, 2015; Sections 57 on list of prequalified suppliers, Section 68 on procurement records, Part IX on methods of procurement of goods, works and services and Part XI on procurement contracts.

422.2 Other Operating Expenses

The expenditure includes and amount of Kshs.251,119,073 relating to other operating expenses. Review of records revealed anomalies in relation to an expenditure amounting to Kshs.45,005,792 which include non-taxation of allowances contrary to Cap 470 of the laws of Kenya, unjustified and unsupported payments.

422.3 Specialized Materials and Services

The expenditure includes an amount of Kshs.319,607,589 in respect of specialized materials and services. Review of records revealed that Management made payments amounting to Kshs.29,997,399 without adherence to the following sections of the Public Procurement and Asset Disposal Act, 2015; Section 57 on list of prequalified suppliers, Section 68 on procurement records, Part IX on methods of procurement of goods, works and services and Part XI on procurement contracts.

422.4 Irregular Payment of Domestic Travel and Subsistence Allowances

The expenditure includes an amount of Kshs.114,037,821 relating to domestic travel and subsistence allowances. Review of records revealed that Management paid allowances amounting to Kshs.24,063,830 to staff in form of claims. However, the payments lacked prior approvals, and were not subjected to income tax as required under Income Tax Act Cap 470 of the laws of Kenya. Further, Management made payments amounting to Kshs.3,971,354 to various members of staff through refunds/claims of expenditure spent on domestic travel contrary to the provisions of Regulation 93 of the Public Finance Management (County Governments) Regulations, 2015 which states that an imprest shall be issued for a specific purpose, and any payments made from it, shall be only for the purposes specified in the imprest warrant.

In the circumstances, Management was in breach of the law.

423. Acquisition of Assets

The statement of receipts and payments and as disclosed in Note 17 to the financial statements reflects acquisition of assets of Kshs.2,032,503,092. Included in the expenditure is an amount of Kshs.555,473,869 relating to construction of buildings. Review of records relating to an expenditure of Kshs.23,670,020 revealed various non-

compliance with the Public Procurement and Asset Disposal Act, 2015 including unjustified direct procurements and failure to use prequalified list of suppliers.

In the circumstances, Management was in breach of the law.

424. Irregular Use of Revenue Collection System

A consultancy company was contracted for electronic revenue collection solution and payment services as per a contract dated 7 November, 2014 valid for two years with a termination date of 7 November, 2016. During the financial year under review, the Management paid a total of Kshs.64,060,701 in relation to the contract being administration cost at 7%. However, no evidence was provided to show that the contractor made a justification or request for contract extension and that the extension was evaluated by a tender evaluation committee and recommended for approval as required under Section 139(2) of the Public Procurement and Asset Disposal Act, 2015.

Further, no evidence was provided to confirm that the Head of Supply Chain Unit wrote a professional opinion to the Accounting Officer advising on the recommendation of the Evaluation Committee to grant contract extension as required under Section 84 of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, Management was in breach of the law.

425. Failure to Prepare Municipalities Financial Statements

The statement of receipts and payments and as disclosed in Note 14 to the financial statements reflects transfer to other Government units amounting to Kshs.4,083,460,889. Included in the balance is an amount of Kshs.2,308,648,645 in relation to other capital grants and transfers. During the year, Management made payments to six (6) municipalities within Kiambu County amounting to Kshs.1,901,066,600. However, three (3) years after the Municipalities were established complete with Municipality Boards, no evidence has been provided to show that Municipality Boards and Managers were executing their mandate as stipulated in law including preparing and submitting budget estimates to the County Treasury for consideration and submission to the County Assembly for approval and preparation and submission of financial statements and all proper books and records of accounts for the financial years 2018/2019, 2019/2020 and 2020/2021 for audit. This was contrary to Section 46 of the Urban Areas and Cities Act, No.13 of 2011

In the circumstances, Management was in breach of the law.

426. Juja Sub-county

426.1 Construction of Darasha Bridge

Review of the supporting documents provided for audit indicated that Management paid an amount of Kshs.5,899,909 in the year under review in respect to construction of Darasha bridge. The contract was awarded at a sum of Kshs.16,208,453.80 in the

financial year 2017/2018 and the amount certified to date totalled to Kshs.11,601,450. However, physical inspection in the month of November, 2021 revealed that the contractor was not on site and the construction works were incomplete, channeling of the river had not been properly done and construction of gabions to protect against erosion was yet to start. Failure to complete the construction works may lead to dilapidation of the works so far done resulting to loss of value.

Further, the contract documents, bill of quantities and works officer progress reports were not provided hence impossible to confirm whether the works were carried out as stipulated in the contract.

In the circumstance, value for money on this project could not be confirmed.

426.2 Construction of Kimbo-Matangini Road

The contract for construction of A2 Junction Kimbo-Matangini road was awarded at a contract price of Kshs.170,552,895. The scope involved improvement of the road starting at Thika Superhighway Kimbo junction to Magomano in Theta Ward. However, the award letter, contract documents and the bill of quantities were not provided hence the detailed works could not be confirmed.

Physical verification carried out in the month of November, 2021 revealed that out of 5.1kms, approximately 2.1kms had been completed leaving a balance of 3kms. It was also observed that an amount of Kshs.108,774,424 had been paid to the contractor leaving a balance of Kshs.61,778,471. The contractor had abandoned the site and the project had stalled. It was further observed that some sections of the road had big potholes and the road appeared uneven and some section of the tarmac damaged, culverts had started collapsing and breaking. These are clear indications of poor workmanship.

In the circumstances, value for money on this project may not have been obtained.

427. Thika Sub-county

Review of records amounting to Kshs.5,500,000 in respect of improvement of Thika Town Entrance-Garissa Road Junction at Gatitu and Kenyatta road revealed the following irregularities;

i. The works were awarded to a contractor at a contract sum of Kshs.221,005,870 on 25 June, 2015 and work commenced on July, 2015 for a period of 18 months. The works certified by the time of audit amounted to Kshs.201,341,981 and it was indicated in the certificate that the contract was varied by an amount of Kshs.57,900,391 although no evidence was provided to confirm whether a approved variations in the scope of works was done as per Section 139(2) of the Public Procurement and Asset Disposal Act, 2015.

ii. The contract document, letter of award, project inspection reports together with the bills of quantities were not provided and therefore the scope of works could not be confirmed. In addition, there was no evidence that the contractor sought for contract extension and whether the contractor furnished the County with renewed price bid contrary to Section 139(2) of the Public Procurement and Asset Disposal Act, 2015.

iii. Physical inspection of the project undertaken on November, 2021 revealed that a stretch adjacent to Thika Prison had not been done due to what was explained as delay in relocation of senior prison staff houses. The scope of work completed as at that time was 62% as reported in the previous certificate. Although the contract period had expired, no liquidated damages had been recovered from the contractor.

In the circumstances, Management was in breach of the law.

428. Githunguri Sub-county - Improvements of Various Roads in Komothai Ward

Review of records for improvements of various roads in Komothai Ward (Kibichoi Gwa Kario road) procured through request for quotation method under quotation for an amount of Kshs.3,920,753 and awarded on 31 May, 2018 revealed the following irregularities:

i. The request for quotation documents were issued on 10 May, 2018 but did not give dates when the quotations should have been submitted which is contrary to Section 106 (1b) of the Public Procurement and Asset Disposal Act, 2015.

ii. Further, Tender Opening Minutes, the appointment of Tender Opening Committee Members, and Professional Opinion were not provided for audit.

iii. Physical inspection on 12 November, 2021 revealed that although the culverts had been installed they had started collapsing and breaking, the road had poor drainage, potholes, trenches and the contractor did not install culvert shoulders an indication of poor workmanship.

In the circumstances, Management was in breach of the law.

429. Kabete Sub-County - Wangige Hospital

429.1 Digital X-Ray Machine

Included in transfer of funds from CRF to Kenya Devolution Support Program-Kiambu County is a payment made to a supplier for a Digital X-ray machine at the cost of Kshs.8,190,000. The machine was delivered on 10 August, 2020 as per the delivery note but was rejected and returned on 6 August, 2021 as per the goods return note. No satisfactory explanation was provided for non-replacement of the medical equipment one year later.

In the circumstance, Management did not achieve value for money for purchase of the medical equipment at a cost of Kshs.8,190,000.

429.2 Supply and Delivery of Hospital Equipment

A schedule attached to transfer of funds to Kenya Devolution Support Program-Kiambu County showed that a supplier was paid an amount of Kshs.8,177,000 for delivery of hospital equipment to Wangige Level 4 Hospital. Upon physical inspection on 11 November, 2021, it was established that the hospital had not received any equipment in relation to the payment. Management did not provide explanation for payments before delivery and acceptance of goods.

In the circumstance, value for money could not be confirmed.

429.3 Idle Equipment

Wangige Level 4 Hospital received an Ultra Sound machine worth Kshs.2,370,770. As per the delivery note it was delivered on 17 June, 2020 but had not been put to use. In addition, two (2) infant incubators and a placenta macerator valued at Kshs.5,644,589 delivered by a supplier on 11 August, 2020 had also not been put into use.

In the circumstances, Management did not achieve value for money for the procured items costing Kshs.8,015,359.

429.4 Partial Delivery of Contract

Review of documents showed that a supplier was paid an amount of Kshs.18,596,140 for supply of hospital equipment to Wangige Level 4 hospital. Delivery note dated 29 July, 2021 indicated that only supplies valued at Kshs.2,913,000 had been received at the hospital. At the time of audit verification in November, 2021 the balance of equipment valued at Kshs.15,683,140 had not been supplied. Management did not provide explanation for payments before full contract delivery and acceptance of goods.

In the circumstances, Management did not achieve value for money for the amount of Kshs.15,683,140.

430. Tigoni Hospital

Review of records amounting to Kshs.50,000,000 paid during the year under review from Kenya Devolution Support Program Kiambu County included an amount of Kshs.10,723,147 paid to a supplier for supply and delivery of hospital equipment to Tigoni Hospital. However, a circular dated 3 November, 2020 addressing the CEC Health Services Kiambu County indicated that medical equipment, instruments and linens for the new complex building were supplied by various suppliers as opposed to the supplier who was paid for the service.

Further, it was not possible to confirm weather the goods were received and taken on charge as required under Section 162(1) of the Public Procurement and Asset Disposal Act, 2015 since key documents such as delivery notes, Counter Receipt Voucher (S13) were not provided for audit.

In the circumstances, Management may not have obtained value for money on the expenditure totalling to Kshs.10,723,147.

431. Incomplete Projects

It was noted that projects worth Kshs.1,204,058,237 remained incomplete as at the time of audit. Further, out of sampled construction projects verified in the month of November, 2021, some projects had stalled and no reasons were provided for this unsatisfactory status.

In the circumstances, the public did not get value for money from these projects.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

432. Inappropriate Allocation of User Rights and Segregation of Duties

Review of system controls relating to a revenue collection system revealed that forty-seven (47) transactions worth Kshs.722,151 were voided and the entire process was executed by a single individual from initiation, approvals to execution. The functions were not executed in line with system controls requirement for segregation of duties thus exposing the County to possible loss of revenue, inaccurate and incomplete records affecting revenue reports.

In the circumstances, existence of effective controls in revenue system could not be confirmed.

433. Lack of Risk Management Policy

During the year under review, the County Executive did not have a risk management policy and a framework for management of risk and hence it is not possible to identify, assess and control risk.

In the circumstances, it was not possible to define the entity's risk appetite and set the risk tolerance levels by identifying boundaries against unacceptable exposure to risk.

434. Weaknesses in Revenue Collection

The revenue Directorate hired fifty-five (55) casuals as revenue collectors, billing officers, accountants, revenue supervisors and cashiers. By assigning casuals to carry out tasks on revenue supervision and cashiers reduces the level of accountability and responsibility hence increase the risk of revenue loss.

In the circumstances, existence of effective controls on revenue management could not be confirmed.

435. Long Outstanding Property Income and House Rent Arrears

The statement of receipts and payments reflects County own generated receipts of Kshs.2,392,873,847. Included in the amount is housing receipts of Kshs.27,201,382 and property income of Kshs.292,531,794. Review of records revealed that as at 30 June, 2021, there was house rent arrears amounting to Kshs.207,219,015 and net accumulated arrears and penalties on properties totalling to Kshs.26,988,117 that were not disclosed by a note or annexure to the financial statements. Further, Management did not provide explanation or evidence on measures being taken to recover the revenue.

In the circumstances, existence of effective controls on debt collection could not be confirmed.

COUNTY EXECUTIVE OF TURKANA - NO.23

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

436. Inaccuracies in the Statement of Receipts and Payments

As disclosed in Note 15 to the financial statements, the statement of receipts and payments reflects other grants and payments of Kshs.1,155,548,685. The amount includes Road Maintenance Levy payments of Kshs.520,497,802 and cumulative donor funds payments of Kshs.634,391,493 all totalling to Kshs.1,154,889,295 which were not classified as other grants and payment as per the Public Sector Accounting Standards Board (PSASB) approved financial reporting template.

In the circumstances, the accuracy and completeness of other grants and payments amount of Kshs.1,155,548,685 could not be confirmed.

437. Unsupported Compensation of Employees

As disclosed in Note 11 to the financial statements, the statement of receipts and payments reflects compensation of employees amount of Kshs.3,828,490,851. However, the supporting payroll showed total employee cost of Kshs.3,783,645,384 resulting in an unreconciled variance of Kshs.44,845,468.

Further, an amount of Kshs.293,295,110 was paid as arrears to employees. However, the basis and justification for payment of these arrears were not provided for audit.

Consequently, the accuracy and completeness of compensation of employees amount of Kshs.3,828,490,851 could not be confirmed.

438. Erroneous Inclusion of Lodwar Municipality Payments

As disclosed in Note 15 to the financial statements, the statement of receipts and payments reflects other grants and transfers amount of Kshs.1,155,548,685 which includes Kenya Urban Support Programme payments of Kshs.101,748,408. However, the Municipality Board payments of Kshs.101,748,408 were erroneously included in the financial statements of County Executive instead of being reported by the Board as an independent entity. This was contrary to Section 46(2) of the Urban Areas and Cities Act, 2011 which states that within a period of three months after the end of each financial year, the Board or town committee shall submit to the County Executive Committee its accounts for that year for transmission to the Auditor-General together with;(a) a statement of the income and expenditure of the Board for that year; and (b) a statement of the assets and liabilities of the Board on the last day of that financial year.

In the circumstances, the accuracy and completeness of other grants and transfers amount of Kshs.1,155,548,685 could not be confirmed.

439. Inaccuracies in Cash and Cash Equivalents Balance

As disclosed in Note 21A to the financial statements, the statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.3,529,930,437 held in twenty-eight (28) bank accounts which included a balance of Kshs.249,055,146 held in Turkana County fuel Levy Fund bank account. Review of the June bank reconciliation statement reflected unpresented cheques amounting to Kshs.20,245,508. However, unpresented cheques amounting to Kshs.7,252,375 had become stale as at 30 June, 2021 but had not been reversed and replaced in the cash book as at the time of audit in November, 2021.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.3,529,930,437 could not be confirmed.

440. Payments Made after end of the Financial Year

The statement of receipts and payments reflects use of goods and services amount of Kshs.3,623,467,866 and acquisition of assets amount of Kshs.1,224,073,840 as disclosed in Notes 12 and 17 to the financial statements respectively. However, payments amounting to Kshs.894,836,151 and Kshs.448,561,720 on use of goods and services and acquisition of assets respectively, were paid in July, 2021.

In the circumstances, the accuracy and cut off of use of goods and services amount of Kshs.3,623,467,866 and acquisition of assets amount of Kshs.1,224,073,840 respectively, could not be confirmed.

441. Unsupported Non - Current Assets

Annex 6- summary of non-current asset register reflects cumulative historical cost of non-current assets balance of Kshs.4,399,594,379 as at 30 June, 2021. However, the balance excludes assets such as land, buildings, motor vehicles, computers and other office furniture and equipment taken over from the defunct local authorities. The process of verification and valuation by responsible entities is yet to be concluded and it is not known when the process shall be finalized. Further, Assets Register, land title deeds and motor vehicle logbooks were not provided for audit.

In the circumstances, the accuracy, ownership and completeness of total non-current assets balance of Kshs.4,399,594,379 could not be confirmed.

Other Matter

442. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.14,902,681,811 and Kshs.14,666,881,666 respectively, resulting to an under-funding of Kshs.235,800,145 or 2% of the budget. Similarly, the County Executive spent a total of Kshs.11,393,362,738 against an approved budget of Kshs.14,902,681,811 resulting to an under-expenditure of Kshs.3,509,319,073 or 24% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

443. Late Exchequer Releases

As disclosed in Note 1 to the financial statements, the statement of receipts and payments reflects exchequer releases amounting to Kshs.11,445,842,700 for the year ended 30 June, 2021 comprising of 2019/2020 financial year unremitted funds of Kshs.906,392,700 and the County Executive's 2020/2021 equitable share of Kshs.10,539,450,000.

However, the funds were not transferred to the County Revenue Fund in accordance with a payment schedule approved by the senate and published in the gazette by the Cabinet Secretary. There was under-disbursement amounting to Kshs.2,634,862,500 and Kshs.843,156,000 in quarter 1 and quarter 2 respectively and over-disbursement amount of Kshs.3,478,018,500 in quarter 4.

The late disbursement of exchequer releases may affect timely implementation of approved projects/activities in the County which may impact negatively on service delivery to the public.

444. Pending Bills

Note 7.9 on other important disclosures reflects pending account payables of Kshs.480,526,750 and pending staff payables of Kshs.12,531,563 all totalling to Kshs.493,058,313 as at 30 June, 2021. However, the accumulation of pending bills is contrary to the Treasury Circular Ref AG3/101/75, which requires Accounting Officers to establish effective financial controls and maintain financial discipline in order to achieve efficient utilization of resources and ensure adherence to financial regulations and procedures to curb accumulation of pending bills.

445. Unresolved Prior Year Matters

In the audit report of the prior year, several paragraphs were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given a satisfactory explanation for the delay in resolving then.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

446. Non-Compliance with the One-Third of Basic Salary Rule

Review of the County Executive's payroll revealed instances where some employees were receiving net salaries which were less than a third of their respective basic salaries while other staff members received negative salaries. This was contrary to Section 19 (3)

of the Employment Act, 2007 which states that the total amount of all deductions which under the provisions of sub Section (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

In the circumstances, Management was in breach of the law.

447. Non-Compliance with the Law on Staff Ethnic Composition

During the year under review, the County Public Service Board recruited a total of five hundred and one (501) new staff members in various cadres out of whom four hundred and ninety (490) or approximately 98% were from the dominant community. Further, the County Executive had a total of three thousand five hundred and thirty-four (3,534) employees out of whom two thousand seven hundred and forty-five (2,745) or approximately 78% were from the dominant community. This was contrary to Section 65(1)(e) of the County Government Act, 2012 which requires that the County Public Service Board in selecting of employees, should ensure that at least thirty percent (30%) of the vacant posts at entry level are filled by candidates for appointment who are not from the dominant ethnic community.

In the circumstances, Management was in breach of the law.

448. Irregular Payment of Personal Emoluments

The statement of receipts and payments reflects compensation of employees amount of Kshs.3,828,490,851. The expenditure includes an amount of Kshs.11,242,460 for salaries, allowances paid outside the Integrated Personnel and Payroll Database (IPPD). This was contrary to Section 1.5.1 of the National Treasury Financial Accounting Recording and Reporting Manual which requires salaries, allowances and/or arrears of county government employees to be processed through IPPD.

In the circumstances, Management was in breach of the law.

449. Irregular Engagement of Temporary Employees

Included in basic wages for temporary employees amount of Kshs.35,311,748 as disclosed in Note 12 to the financial statements is an amount of Kshs.2,904,600 incurred on twenty-nine (29) casuals' employees attached to the Ministry of Tourism as tree nursery attendants. However, twenty-three (23) of them were engaged for periods exceeding the prescribed period of three months without revision of terms and conditions of service. This was contrary to Section 37(3) of the Employment Act, 2007 which states that an employee whose contract of service has been converted in accordance with sub-section (1), and who works continuously for more than three months from the date of employment as a casual employee, shall be entitled to such terms and conditions of service as he would have been entitled to under this Act had he not initially been employed as a casual employee.

In the circumstances, Management was in breach of the law.

450. Non-Remittance of Statutory Deductions

Included in compensation of employees' amount of Kshs.3,828,490,851 is pension and other social security contributions amounting to Kshs.445,736,771. Review of records indicated that the County Executive made gross pension deductions of Kshs.138,073,997 in respect of Local Authorities Provident Fund (LAPFUND), Local Authority Pension Trust (LAPTRUST) and Public Services Superannuation Scheme (PSSS). However, remittances records for the year indicated that an amount of Kshs.133,334,194 was paid resulting in underpayment of Kshs.4,739,802. In addition, there was no evidence to confirm subsequent remittance of the balance which was not included in the pending payables. This is contrary to Section 8(c) of the Public Service Superannuation Scheme Act, 2012 which requires the government to, not later than ten working days after the end of the month in which the contributions are due, remit an amount comprising the member's and the Government's contribution to the custodian

In the circumstances, Management was in breach of the law.

451. Recruitment of Staff without an Approved Staff Establishment

During the year, the County Service Board recruited a total of five hundred and one (501) officers into various positions in the County. The Board advertised for recruitment of two hundred and one (201) medical staff during the time of COVID 19 pandemic. However, there was no evidence of vacancy declaration and advertisement for the remaining three hundred thousand (300) staff. This was contrary to Section B.5(2) of the County Public Service Human Resource Manual, 2013. In addition, there was no explanation provided for recruiting staff without an authorized staff establishment. Further, advertisements and Board minutes of selection process were not provided for audit.

In the circumstances, Management was in breach of the law.

452. Payment of Basic Pay Below the Approved Scale

A comparison of basic pay paid to employees on manual payroll and the Salaries and Remuneration Commission (SRC) approved rates revealed that three (3) employees were under paid on their basic salary by between Kshs.160 and Kshs.1,700 contrary to the SRC circulardated 8 July, 2020 in respect to Phase IV of salary review for County Government which categorizes job groups and their basic pay bands to be adopted by the County Government.

In the circumstances, Management was in breach of the law.

453. Staff Members Sharing Bank Account Numbers

Review of the County Executive's payroll revealed instances where staff members shared the same bank account numbers in the same bank. This was contrary to Section 104 (i) of Public Finance Management Act, 2012 which requires each County Treasury to put in place proper management control and accounting for finances of the County Government

and its entities in order to promote efficient and effective use of County's budgetary resources.

In the circumstances, Management was in breach of the law.

454. Variances in Net Pay as Per Bank Remittance and IPPD Payroll

Analysis of the payroll and bank remittances revealed instances where the net pay as per the payroll was different from bank remittance schedule. This was contrary to Section 104(i) of Public Finance Management Act, 2012 which requires each County Treasury to put in place proper management and control of, and accounting for finances of County Government and its entities in order to promote efficient and effective use of County's budgetary resources.

In the circumstances, Management was in breach of the law.

455. Unsurrendered Imprest

As disclosed in Note 22 to the financial statements, the statement of assets and liabilities reflects accounts receivable - outstanding imprest balance of Kshs.102,550,132. However, included in the balance is imprest totalling to Kshs.46,191,888 where one officer was holding more than one imprest. This is contrary to Regulation 93(8) of the Public Finance and Management (County Governments) Regulations, 2015 which states that in order to effectively and efficiently manage and control the issue of temporary imprests, an Accounting Officer or AIE holder shall ensure that no second imprest is issued to any officer before the first imprest is surrendered or recovered in full from the salary.

In addition, the outstanding imprest amount of Kshs.102,550,132 includes a balance of Kshs.88,908,442 which was due for surrender on or before 30 June, 2021 and had not been surrendered. This was contrary to Regulation 93 (5) of the Public Finance and Management (County Governments) Regulations, 2015 which requires holder of temporary imprest to account for or surrender the imprest within seven working days after returning to the duty station. Further, evidence of subsequent surrender or recovery of outstanding imprest of Kshs.102,550,132 together with imprest register were not provided for audit.

In the circumstances, Management was in breach of the law.

456. Unsupported Office Standing Imprest

As disclosed in Note 12 of the financial statements, the statement of receipts and payments reflects use of goods and services amount of Kshs.3,623,467,866 which includes other operating expenses of Kshs.460,029,265. Out of the total, an amount of Kshs.47,550,800 was issued out as office imprest to eighty (80) members of staff to cater for general office operations in various departments and offices. However, imprest amounting to Kshs.22,200,600 was not supported by imprest application form, payment vouchers, cash payment receipts, imprest warrants and memorandum cash books. This was contrary to Regulation 93(14) of Public Finance Management (County Governments) Regulations, 2015 which states that the holder of a standing imprest shall keep a

memorandum cash book to record all receipts and payments and the balance on hand shall agree with the cash balance recorded in the memorandum cash book.

In the circumstances, Management was in breach of the law.

457. Irregular Transfers to Council of Governors

The Management made transfers to the Council of Governors amounting to Kshs.3,000,000 for funding the Council's operational expenses. This was contrary to Section 37 of the Intergovernmental Relations Act, 2012 which provides that the expenses of institutions established by the Act shall be met from the budget of the National Government.

In the circumstances, Management was in breach of the law.

458. Irregular Transfers to Frontier Counties Development Council

The statement of receipts and payments reflects transfers to other Government units amount of Kshs.1,561,781,496 which includes transfers to the Frontier Counties Development Council (FCDC) amounting to Kshs.3,000,000. This was contrary to Section 37 of the Intergovernmental Relations Act, 2012 which provides that the expenses of institutions established by the Act shall be met from the budget of the National Government.

In the circumstances, Management was in breach of the law.

459. Other Grants and Transfers

459.1 Kenya Devolution Support Programme (KDSP)

As disclosed in Note 15 to the financial statements, the statement of receipts and payments reflects other grants and transfers amount of Kshs.1,155,548,685 which includes Kenya Devolution Support Programme (KDSP) payments of Kshs.27,661,422, which further includes an amount of Kshs.15,033,000 paid to nine (9) firms for the supply and delivery of patients' uniforms, 20 litre jerrycan liquid soap, surgical masks, thermometers and N95 face masks. However, the following observations were made:

(i) Tender Opening and Evaluation Committee members for the nine (9) tenders whose total payments amounted to Kshs.15,033,000 comprised of the same members. There were instances of nonresponsive tenders, invalid single business permit and irregular signing of contracts. This was contrary to Section 78(1)(b) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer of a procuring entity shall appoint a tender opening committee specifically for the procurement in accordance with the following requirements and such other requirements as may be prescribed (b) at least one of the members shall not be directly involved in the processing or evaluation of the tenders.

(ii) Three (3) non-responsive tenders with total payments of Kshs.4,904,000 were not rejected by respective Tender Evaluation Committees for lack of valid mandatory tender documents such as business permit contrary to Regulation 75 (1) of the

Public Procurement and Asset Disposal Regulations, 2020 which states that a procuring entity shall reject all tenders, which are not in conformity to the requirements of Section 79 of the Act and Regulation 74 of these Regulations.

(iii) A contract for supply and delivery of non-contact infra-red thermometers awarded to a firm at a contract sum of Kshs.1,480,000 was signed after local purchase order had been issued.

(iv) A consultancy services contract for conducting mid-term CIDP review awarded to a consultant at a contract sum of Kshs.2,384,000 was signed before lapse of specified duration in the letter of award notification. This was contrary to Section 135 (3) of the Public Procurement and Asset Disposal Act, 2015 which states that a written contract shall be entered into within the period specified in the notification but not before fourteen days have elapsed following the giving of that notification provided that a contract shall be signed within the tender validity period.

In the circumstances, Management was in breach of the law.

459.2 Kenya Urban Support Programme

As disclosed in Note 15 to the financial statements, the statement of receipts and payments reflects other grants and transfers amount of Kshs.1,155,548,685 which includes Kenya Urban Support Programme (KUSP) payments of Kshs.101,748,408. However, the following unsatisfactory matters were noted:

459.2.1 Construction of Fire Station and Installation of Street Lights

Included in Kenya Urban Support Programme (KUSP) payments of Kshs.101,748,408 is an amount of Kshs.53,297,023 paid to a firm for installation of streetlights and flood lights within Lodwar Municipality.

As reported in the previous year, the tender for the construction of fire station, solar powered street lights and floodlighting installations in Lodwar Municipality was awarded to a firm at a contract sum of Kshs.87,277,623. The contract was signed 11 July, 2019 for contract period of fifty-two (52) weeks commencing 11 July, 2019 to 10 July, 2020.

The firm was paid a total of Kshs.33,980,600 during the year ended 30 June, 2020 while a total of Kshs.53,297,023 was paid during the year ended 30 June, 2021 resulting to full contract payment of Kshs.87,277,623 as at 30 June, 2021.

The original project site for construction of fire station was changed from a site next to the County's department of Water, Environment and Mineral Resources offices to a new location along Lodwar-Kitale road which was done after a wall had been constructed with materials delivered to the site. However, the following observations were made:

(i) The signed tender opening minutes, correspondences to relocate project site, valuation of the works that had been done before site relocation, notification to six (6) unsuccessful bidders, tender document submitted by the successful bidder, bill of quantities, annual practicing license for NCA 5, NCA 5 registration certificate as a

building works contractor, ERC certificate for the company, solar PV contractor license from ERC Kenya, class V1 and V2, manufacturers authorization for batteries, solar modules, charge controllers and LED lamps were not provided for audit.

(ii) The payment of Kshs.53,297,023 includes an amount of Kshs.6,949,000 paid as prime cost sums for contingencies and project supervision which was not supported by payment vouchers, site inspection registers and payment details. This was contrary to Regulation 104 of Public Finance Management (County Governments) Regulations, 2015.

(iii) Project Progress Report and certificate of practical completion dated 8 June, 2021 indicated that the works were completed after the expected completion date of 10 July, 2020. There was no evidence to show performance bond that was valid until 27 June, 2020 was renewed.

(iv) Evidence of land ownership on which the fire station is constructed was not provided for audit.

In the circumstances, Management was in breach of the law.

459.2.2 Construction of Parking Lots and Solar Powered Street Light

Included in Kenya Urban Support Programme (KUSP) payments of Kshs.101,748,408 is an amount of Kshs.41,639,876 paid to a firm for construction of parking lots and installation of solar powered street lights in Lodwar Municipality.

The tender was awarded on 26 January, 2021 at a negotiated contract sum of Kshs.90,250,000. The project commencement date was 16 February, 2021 and expected completion date of 23 December, 2021. However, the following observations were made:

(i) A six(6) member evaluation committee was appointed on 8 March, 2020 while user department requisition was raised on 16 April, 2020 thirty (30) days after tender evaluation was concluded. This was contrary to Section 73 of Public Procurement and Asset Disposal Act, 2015 and Regulation 71(1) Public Procurement and Asset Disposal Regulations, 2020.

(ii) Notification to four (4) unsuccessful bidders, tender document submitted by the successful bidder, bill of quantities, annual practicing license for NCA 3, NCA 3 registration certificate as a building works contractor, ERC certificate for the company, solar PV contractor license from ERC Kenya, class V1 and V2 were not provided for audit.

(iii) Notification of contract award dated 4 June, 2020 indicates the contract shall be signed within thirty (30) days from date of notification. However, the contract agreement was signed on 26 January, 2021 after the statutory limit of 3 July, 2020 contrary to Section 135 (3) of the Public Procurement and Asset Disposal Act, 2015 which states that the written contract shall be entered into within the period specified in the notification letter.

(iv) The statement for payment on account indicates that the work certified on administration and overheads is 37% translating to an amount of Kshs.414,400. However, the amount paid in relation to work certified on administration and overheads totalled to Kshs.1,709,400 resulting to excess payment of Kshs.1,295,000.

In the circumstances, Management was in breach of the law.

460. Acquisition of Assets

460.1 Construction of Buildings

As disclosed in Note 17 to the financial statements, the statement of receipts and payments reflects acquisition of assets amount of Kshs.1,224,073,840 which includes construction of buildings amount of Kshs.306,206,570. However, the following observations were made:

460.1.1 Construction of Turkana County Headquarters

Included in the expenditure is an amount of Kshs.7,863,525 paid to a company for mechanical works, plumbing, firefighting installation and external water reticulation that were subcontracted to another company.

As reported in the previous year, the tender for construction of the governors' office was awarded to a company at contract sum of Kshs.695,854,432. The contract was signed in May, 2015 for a contract period of thirty-six (36) months. The contract commencement date was 15 May, 2015 with an expected completion date of 30 June, 2017. The project has been given three (3) new completion dates, the third being 30 June, 2019. Further, a letter dated 4 June, 2020 granted the contractor a further extension to 31 December, 2020.

The company had received cumulative payments amounting to Kshs.597,347,962 as at 30 June, 2021.

Physical verification of the project in December, 2021 confirmed that the contractor was on site and project works was ongoing after the expected completion date of 31 December, 2020.

In the circumstances, the County Executive has not received value for amount of Kshs.597,347,962 incurred on the project and continued delay in completing of the project may result in cost escalation.

460.1.2 Construction of Lopongo Dispensary

Included in construction of buildings amount of Kshs.306,206,570 is an amount of Kshs.5,616,220 paid to a firm for construction of Lopongo Dispensary in Kalokol.

The tender was awarded to a firm at a contract sum of Kshs.9,791,970. The contract agreement was signed on 2 February, 2021 and works expected to be completed within twenty-four (24) weeks commencing 22 February, 2021. However, the following observations were made:

i. There was no evidence to show the Accounting Officer reported the contract award to the Public Procurement and Regulatory Authority contrary to Section 138(2) of the Public Procurement and Asset Disposal Act, 2015.

ii. Prior to the award of the tender, there was no evidence to show that the County Executive conducted due diligence and presented the report in writing to confirm and verify the qualifications of the tenderer who submitted the lowest evaluated responsive tender to be awarded the contract. This was contrary to Section 83 (1) of the Public Procurement and Asset Disposal Act, 2015 which states that an evaluation committee may, after tender evaluation, but prior to the award of the tender, conduct due diligence and present the report in writing to confirm and verify the qualifications of the tenderer who submitted the lowest evaluated responsive tender to be awarded the contract in accordance with this Act.

iii. In addition, the contractor was paid an amount of Kshs.5,616,220 above the recommended amount of Kshs.2,937,591 by a total of Kshs.2,678,629. This was contrary to paragraph 6.3 of the general conditions which indicates payment shall be made after completion and certification of 30% percent of the work done.

iv. Physical verification of the project in November, 2021, over thirty-six months after signing of the contract agreement revealed that approximately 50% of the works had been done and the contractor has been paid a total of Kshs.5,616,220 or 57% of contract sum.

v. The contractor was not on site and works on the project had stopped.

In the circumstances, Management was in breach of the law.

460.1.3 Proposed Construction of Kalokol Resource Centre

Included in construction of buildings amount of Kshs.306,206,570 is an amount of Kshs.11,678,590 paid to a firm for the construction of Kalokol Resource Centre.

The tender was awarded to a firm at a contract sum of Kshs.25,104,510. The contract was signed on 12 January, 2021 and works were expected to be completed within sixteen (16) weeks commencing 27 January, 2021.

However, there was no evidence to show that a feasibility study or survey, was conducted before project implementation and that the Accounting Officer reported the contract award to the Public Procurement and Regulatory Authority. This was contrary to Section 138(2) of the Public Procurement and Asset Disposal Act, 2015. The contractor was paid a total of Kshs.11,678,590 which was above the recommended amount of Kshs.7,530,453 by an amount of Kshs.4,148,137. This was contrary to Paragraph 6.3 of the General Conditions which indicates terms and conditions of payment.

In addition, there was no evidence to show that the contractor submitted performance bond.This was contrary to Section 142(1) of the Public Procurement and Asset Disposal Act, 2015, which states that subject to the regulations, a successful tenderer shall submit a performance security equivalent not more than ten per cent of the contract amount before signing of the contract.

Further, physical inspection of the project in November, 2021, over thirty-six (36) months after signing of the contract agreement revealed that approximately 50% of the works had been done, the contractor was not on site and works on the project had stalled.

In the circumstances, Management was in breach of the law.

460.1.4 Livestock Breed Improvement and Multiplication Centre

Included in construction of buildings amount of Kshs.306,206,570 is an amount of Kshs.13,892,852 paid to a firm for construction and completion of livestock improvement and multiplication centre at Kerio Ward.

The tender was awarded to a firm at a contract sum of Kshs.39,127,600. The contract agreement was signed on 12 April, 2019 while works were expected to be completed within thirty-six (36) weeks after signing of the contract.

The contractor was paid a total of Kshs.35,412,001 as at 30 June, 2021. However, the following observations were made:

i. There was no evidence to show the Accounting Officer reported the contract award to the Public Procurement and Regulatory Authority contrary to Section 138(2) of the Public Procurement and Asset Disposal Act, 2015.

ii. Prior to the award of the tender, there was no evidence to show that Management conducted due diligence and presented the report in writing to confirm and verify the qualifications of the tenderer who submitted the lowest evaluated responsive tender to be awarded the contract in accordance with this Act contrary to Section 83(1) of the Public Procurement and Asset Disposal Act, 2015.

iii. There was no evidence to show that the contractor provided performance bond contrary to Section 142(1) of the Public Procurement and Asset Disposal Act, 2015, which states that subject to the regulations, a successful tenderer shall submit a performance security equivalent to not more than ten per cent of the contract amount before signing of the contract.

iv. Further, an amount of Kshs.17,401,354 had been paid to another firm for construction of multiplication and breeding centre in Kerio area during the year ended 30 June, 2015. The payment was made just five (5) days after the issuance of the Local Purchase Order (LPO) and before the work had commenced. Management has not provided justification for carrying out similar project in the same area.

v. Physical verification of the project in December, 2021 revealed that the works had been done and project completed. However, support documentation of valuation and certification of original work and subsequent cancellation of the initial contract was not provided for audit.

In the circumstances, Management was in breach of the law and value for money of Kshs.35,412,001 incurred on the project may not be realized.

460.1.5 Construction of Theatre

Included in construction of buildings expenditure of Kshs.306,206,570 is an amount of Kshs.6,069,970 paid to a firm for the construction of a theatre - at Lokichar Health Centre.

The tender was awarded to the firm at contract sum of Kshs.9,926,400. The contract agreement was signed on 6 April, 2021 and works were expected to be completed within twenty-four (24) weeks commencing 20 April, 2021. However, the following observations were made:

i. Management did not provide tender document prior to preliminary evaluation to determine whether each tender met the eligibility criteria set out in the tender document. This was contrary to Section 80 (2) Public Procurement and Asset Disposal Act, 2015. Further, there was no evidence to show the Accounting Officer reported the contract award to the Public Procurement and Regulatory Authority contrary to Section 138 of the Public Procurement and Asset Disposal Act, 2015.

ii. Prior to the award of the tender, there was no evidence to show that Management conducted due diligence and presented the report in writing to confirm and verify the qualifications of the tenderer who submitted the lowest evaluated responsive tender to be awarded the contract. This was contrary to Section 83 (1) of the Public Procurement and Asset Disposal Act, 2015.

iii. There was no evidence to show that the contractor provided performance bond contrary to Section 142(1) Public Procurement and Asset Disposal Act, 2015, which states that subject to the regulations, a successful tenderer shall submit a performance security equivalent to not more than ten per cent of the contract amount before signing of the contract. The contractor was paid an amount of Kshs.6,069,970 which exceeded the recommended amount of Kshs.2,977,920 by Kshs.3,092,050. This was contrary to paragraph 6.3 of the general conditions which indicates terms and conditions of payment.

iv. Physical verification of the project in December, 2021, over twenty-eight (28) weeks after signing of the contract agreement revealed that approximately 50% of the works had been done and the contractor has been paid a total of Kshs.6,069,970 or 61% of contract sum. The contractor was not on site and works on the project had stalled.

In the circumstances, Management was in breach of the law and value for money of Kshs.6.069,970 incurred on the project may not be realized.

460.1.6 Construction of Plastic Re-use Facility

Included in construction of buildings expenditure of Kshs.306,206,570 is an amount of Kshs.4,895,620 paid to a firm for construction of plastic re-use facility**.**

The tender was awarded to the firm at a contract sum of Kshs.13,626,320. The contract agreement was signed on 13 January, 2017 and works were expected to be completed within twelve (12) weeks commencing immediately upon signing of the agreement. However, the following observations were made:

i. There was no evidence to show the Management reported the contract award to the Public Procurement and Regulatory Authority (PPRA) contrary to Section 138(2) of the Public Procurement and Asset Disposal Act, 2015.

ii. In addition, there was no evidence to show that the contractor provided performance bond contrary to Section 142(1) of the Public Procurement and Asset Disposal Act, 2015, which states that subject to the regulations, a successful tenderer shall submit a performance security equivalent to not more than ten per cent of the contract amount before signing of the contract.

iii. Physical verification of the project in November, 2021 revealed that the project was 60% complete more than three (3) years after the expected completion date and the contractor has been paid a total of Kshs.4,895,620 or 36% of contract sum.

v. The contractor was not on site and work was not ongoing.

In the circumstances, Management was in breach of the law and value for money of Kshs.4,895,620 incurred on the project may not be realized.

460.2 Construction and Civil Works

As disclosed in Note 17 to the financial statements, the statement of receipts and payments reflects acquisition of assets amount of Kshs.1,224,073,840 which includes construction and civil works amount of Kshs.234,099,228. However, the following observations were made:

(i) Included in the amount are payments amounting to Kshs.58,628,481 in respect of seven (7) contracts whose Tender Opening and Evaluation Minutes were not signed or initialized by all members present. This was contrary to Section 80(7) and Section 78 (11) of Public Procurement and Asset Disposal Act, 2015 which state that to acknowledge that the minutes are true reflection of the proceedings held, each member of the tender opening committee shall (a) initial each page of the minutes;(b) append his or her signature as well as initial to the final page of the minutes indicating their full name and designation.

(ii) Included in the amount are payments amounting to Kshs.25,721,885 in respect of two (2) contracts whose contracts did not have contract commencement and expected completion dates contrary to Section 129(2) of the Public Procurement and Asset Disposal Act, 2015.

(iii) Included in the amount are payments amounting to Kshs.31,786,179 in respect of three (3) contracts where there was no evidence to show that the contracts were reported to the PPRA contrary to Section 138(2) of the Public Procurement and Asset Disposal Act, 2015.

(iv) Included in the amount are payments amounting to Kshs.16,310,626 in respect of three (3) contracts whose tenders were nonresponsive for lack of mandatory or invalid tender documents such as business permits and tax compliance certificates contrary to Section 48(1) of the Public Procurement and Asset Disposal Act, 2015.

(v) Included in the amount are payments amounting to Kshs.12,850,317 in respect of two (2) contracts whose contracts had lapsed before completion of works and there was no evidence of contract extension contrary to Regulation 140 (1) (2)(e) of the Public Procurement and Asset Disposal Regulations, 2020.

(vi) Included in the amount are payments amounting to Kshs.74,017,333 in respect of nine (9) contracts whose tender documents including; tender document submitted by the successful bidder, bill of quantities, performance bond and notification to unsuccessful bidders were not provided for audit contrary to Section 68(1) of the Public Procurement and Asset Disposal Act, 2015.

(vii) Included in the amount are payments amounting to Kshs.4,542,636 in respect of five (5) contracts paid as project supervision, site management among others which were not supported by payment vouchers, site inspection register, report, and payment details contrary to Regulation 104 of Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, Management was in breach of the law.

460.3 Purchase of ICT Equipment

As disclosed in Note 17 to the financial statements, the statement of receipts and payments reflects acquisition of assets amount of Kshs.1,224,073,840 which includes purchase of ICT equipment amount of Kshs.63,208,620. The following observations were made:

460.3.1 Information Comunication Technology (ICT) Innovation Hub

Included in purchase of ICT equipment amount of Kshs.63,208,620 is an amount of Kshs.3,000,000 paid to a firm for supply, delivery, installation, configuration, testing and commissioning of an ICT Innovation Hub. The tender was awarded to the firm at contract sum of Kshs.3,000,000. The inspection and acceptance committee was appointed on 8 February, 2021 and prepared a report dated 9 February, 2021. However, tender opening minutes required by Section 78(1) of the Public Procurement and Asset Disposal Act, 2015 were not provided for audit. Further, there was no evidence to show that the Accounting Officer reported the contract award to the Public Procurement Regulatory Authority contrary to Section 138(2) of Public Procurement and Asset Disposal Act, 2015.

Further, there was no evidence to show that the ICT equipment were taken on charge. This was contrary to Section 162 (1) of Public Procurement and Asset Disposal Act, 2015 which requires an Accounting Officer of a procuring entity to ensure that all inventory, stores and assets purchased are received, but shall not be used until taken on charge and as a basis for ensuring that all procured items are properly accounted for and put in proper use as intended by the procuring entity.

In the circumstances, Management was in breach of the law.

460.3.2 GIS System Based Monitoring and Evaluation

Included in purchase of ICT equipment amount of Kshs.63,208,620 is an amount of Kshs.14,999,700 paid to a firm for the installation of Turkana County Government GIS based monitoring and evaluation system.

The tender was awarded to the firm at contract sum of Kshs.25,732,628 on 23 June, 2016. The contract commenced on 8 October, 2020 for a period of nine (9) months upto 8 June, 2021.

However, the following observations were made:

(i) A bidder who had submitted tender bids was excluded at the tender opening stage without any justification contrary Section 78 (7) state that no tenderer shall be disqualified by the procuring entity during opening of tenders.

(ii) There was no evidence to show that the Management notified unsuccessful tenderers in writing contrary to Section 87(3) of Public Procurement and Asset Disposal Act, 2015.

(iii) At the time of audit in December, 2021 there was no evidence to show that the work was complete. Further, there was no evidence to show that the contract period was extended after expiry on 8 June, 2021 contrary to Regulation 140(1)(2)(e) of the Public Procurement and Asset Disposal Regulations, 2020.

In the circumstances, Management was in breach of the law.

460.4 Supply of Improved Biomass Cooking Stoves

As disclosed in Note 17 to the financial statements, the statement of receipts and payments reflects acquisition of assets balance of Kshs.1,224,073,840 which includes purchase of specialized plant, equipment and machinery amount of Kshs.77,767,231. The payment includes an amount of Kshs.6,599,000 paid to a firm for the supply, delivery, installation and commissioning of improved biomass cooking stoves at contract sum of Kshs.6,599,000.

Review of records indicated that the firm submitted NCA 8 certificate for building works contractor. However, the NCA records indicated that the firm was not registered under any category of works and therefore, NCA 8 certificate being mandatory tender requirement, the firm should have been eliminated at the preliminary evaluation stage. Further, the firm scored 61% marks in the technical evaluation stage above the pass mark score of 50%. The score of 61% includes 17 marks for submitting financial reports; a mandatory tender requirement. The firm's Auditors were not in the ICPAK records approved practicing firms.

However, the company was not disqualified for being non-responsive contrary to Regulation 76(1) and (2) of the Public Procurement and Asset Disposal Regulations, 2020.

In the circumstances, Management was in breach of the law.

461. Development Projects

461.1 Project Implementation Status Report

The County Executive had a development budget of Kshs.4,929,366,263 for the year ended 30 June, 2021. Project Implementation Status Report indicated a utilization of Kshs.2,061,437,563 on development projects.

However, development projects amounting to Kshs.2,867,928,700 were not accounted for in the Project Implementation Status Report.

461.2 Project Verification

During the audit, thirty-four (34) projects with total contract sum of Kshs.667,370,839 out of which an amount of Kshs.508,568,039 had been spent, were physically verified in November, 2021. Twenty-one (21) projects involving routine road maintenance, construction of buildings, and civil works worth Kshs.320,461,374 had been completed. Eight (8) projects involving construction of building, supply, delivery, installation, lay, testing and commissioning of access control, structured and IPBX installation at Turkana County Headquarters Lot 1, supply, installation, testing and commissioning of air conditioning and mechanical ventilation services, mechanical works, plumbing, firefighting installation and external water reticulation and civil works with a contract sum of Kshs.266,874,691 were ongoing, while four (4) projects involving construction of building and civil works with a contract sum of Kshs.80,034,774 and a spent amount of Kshs.36,447,702 had stalled.

Non-implementation or delay in project implementation implies the objectives of the projects have not been achieved and value for money on the projects has not been realized.

462. Preparation and Submission of Financial Statements

Management had not prepared and submitted consolidated financial statements and summaries in respect of County Executive. This was contrary to Section 163 (1) of the Public Finance Management (County Governments) Regulations, 2015 which states that at the end of each financial year, the County Treasury shall, for the County Government, consolidate the annual financial statements in respect of all the County Government entities in formats prescribed by the Accounting Standards Board and Section 163(4) which states that not later than four months after the end of each financial year, the County Treasury shall— (a) submit the financial statements and summaries referred to in sub-section (1) to the Auditor- General; and (b) deliver a copy to The National Treasury, Controller of Budget and the Commission on Revenue Allocation.

Further, the County Executive designated eleven (11) Accounting Officers to be responsible for managing finances of the respective departments. However, Accounting Officers did not prepare and submit departmental financial statements for the year ended 30 June, 2021 contrary to Section 164(1) of the Public Finance Management Act, 2012,

which states that, at the end of the financial year, the Accounting Officer for a county government entity shall prepare financial statements in respect of the entity in formats prescribed by the Public Sector Accounting Standards Board.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

463. Lack of Register of Bank Accounts

Management did not maintain a register of authorized bank accounts for the County Executive and its entities during the year under review. This was contrary to Regulation 87 of Public Finance Management (County Governments) Regulations, 2015 which states that the County Head of Accountancy Services shall maintain a register of all sub accounts and other bank accounts opened by county government entities including public funds and accounts of donor funded projects.

In the circumstances, existence of effective measures to monitor and control the operations of bank accounts could not be confirmed.

464. Lack of Risk Management Policy

The County Executive did not have a Risk Management Policy in place contrary to Section 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each county government entity to develop risk management strategies and a system of risk management.

In the circumstances, existence of an effective lack of a risk management policy may lead to non-identification of risks and implementation of appropriate measures to mitigate such risks.

465. Lack of Information Communication Technology (ICT) Strategic Committee

The County Executive did not have an ICT strategic committee, approved data recovery plan and approved ICT security policy. Such policies are vital in effective and efficient management of the entity's ICT resources.

Further, five (5) members of County Executive ICT steering committee were appointed for one (1) year –FY 2020/2021. However, the signed minutes of the Committee were not provided for audit review. In addition, the County executive prepared a draft county ICT policies and procedures which are not yet approved.

In the circumstances, preparedness of the County Executive in case of a disaster could not be confirmed.

COUNTY EXECUTIVE OF WEST POKOT - NO.24

REPORT ON THE FINANCIAL STATEMENT

Basis for Qualified Opinion

466. Unsupported County Own Generated Receipts

The statement of receipts and payments reflects County own generated receipts totalling to Kshs.110,441,691. The revenue collected was recorded on a summarized monthly basis and according to the revenue heads. However, a detailed analysis showing daily or weekly revenue collected from each revenue stream was not provided for audit.

In the circumstances, the accuracy and completeness of the County own generated receipts of Kshs.110,441,691 could not be confirmed.

467. Unsupported Use of Goods and Services

As disclosed in Note 12 to the financial statements, the statement of receipts and payments reflects use of goods and services amounting to Kshs.836,218,528 out of which an expenditure of Kshs.29,333,824 relates to hospitality supplies and services. Included in this expenditure was an amount of Kshs.13,590,430 incurred in the purchases of uniforms, animal vaccines, iron sheets, and library supplies which were not supported with distribution lists and acknowledgement of receipt by the beneficiaries.

In the circumstances, the accuracy and completeness of hospitality supplies and services amounting to Kshs.29,333,824 could not be confirmed.

468. Payments Made After End of the Financial Year

The statement of receipts and payments reflects total payments of Kshs.6,215,486,985. Included in the expenditure is an amount of Kshs.1,247,147,239 paid after the end of the financial year.

In the circumstances, the cut off, accuracy and completeness of the payments made after the end of the year amounting to Kshs.1,247,147,239 could not be confirmed.

469. Transfers to Other Government Units

As disclosed in Note 14 to the financial statements, the statement of receipts and payments reflects transfers to other Government units amounting to Kshs.1,746,741,148. However, the following observations were made:

469.1 Transfers to County Assembly of West Pokot

The expenditure includes transfer to the County Assembly of West Pokot amounting to Kshs.602,946,573. On the other hand, the financial statements of County Assembly of West Pokot reflected transfers from the County Executive totalling to Kshs.579,979,230

resulting to an unexplained variance of Kshs.22,967,343. However, the transfer was 11% of the total revenue of the County Executive amounting to Kshs.6,125,838,091. This was contrary to Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015, which states that the approved expenditure of a County Assembly shall not exceed seven per cent of the total revenue of the County Government or twice the personnel emoluments of that County Assembly, whichever is lower.

Further, out of the amount of Kshs.602,946,573 transferred to the County Assembly, a total of Kshs.193,272,760 was transferred after 30 June, 2021.

In the circumstances, the regularity, cut off, accuracy and completeness of the transfers to the County Assembly of West Pokot totalling to Kshs.602,946,573 could not be confirmed.

469.2 Transfers to Dispensaries for Infrastructure Development

The expenditure includes capital grants to Government agencies and other levels of Government amount of Kshs.920,099,674. Review of ledgers and payment vouchers submitted for audit revealed payments totalling to Kshs.61,438,837 were made to fifty-one (51) dispensaries towards infrastructural developments. However, review of expenditure returns from a sample of thirteen (13) dispensaries totalling to Kshs.22,190,000 revealed missing supporting documents such certificates of works done, Inspection and Acceptance Report, Supervisory Reports, procurement process documents, and Bill of Quantities.

Further, review of records revealed payments totalling to Kshs.168,645,000 were made to two hundred and ninety-six (296) Early Childhood Development Education (ECDE) Centers towards infrastructural developments. However, a sample of thirty-three (33) ECDE centers with disbursements totalling to Kshs.36,550,000 indicated missing supporting documents such certificates of works done, Inspection and Acceptance Report, Supervisory Reports, procurement process documents, and Bill of Quantities.

In the circumstances, the regularity, accuracy and completeness of transfers to dispensaries amounting to Kshs.61,438,837 and transfers to ECDE centres amountin to Kshs.168,645,000 could not be confirmed.

470. Unsupported Fixed Assets

As disclosed in Annex 6 to the financial statements, the summary of non-current assets register reflects total historical cost of assets balance of Kshs.7,573,256,031 which includes land, buildings and structures and transport equipment balances of Kshs.50,579,553, Kshs.2,874,584,488 and Kshs.812,966,078 respectively. However, title deeds, logbooks and other ownership documents were not provided for audit.

Further, Note 17 to the financial statements reflects total acquisition of assets amounting to Kshs.860,589,811 whereas Annex 6 on summary of non-current assets register reflects total additions of Kshs.1,434,088,015 resulting to an unexplained variance of Kshs.573,498,204.

In addition, Management entered into a land sale agreement with four plot owners on 21 June, 2016 at Kacheliba Town. Each plot was valued at Kshs.500,000 and the acquired land was to be used as fresh produce market. Details show that two plot owners were paid a total of Kshs.1,000,000 while the third owner received partial payment of Kshs.270,000 in the year ended 30 June, 2021.

However, Management did not provide ownership documents for the plots. Further pending bills of Kshs.730,000 relating to the unpaid plots was not disclosed under Annex 2 to the financial statements.

In the circumstances, the accuracy, ownership and completeness of the total balance of fixed assets balance of Kshs.7,573,256,031 could not be confirmed.

471. Unsupported Pending Bills

Annex 2 to the financial statements reflects pending accounts payable balance of Kshs.24,665,654. However, the schedule provided for audit did not contain detailed voucher numbers, local purchase/service orders and invoices, making it impossible to verify the authenticity of the balance. Further, the pending bills' ledgers were not provided to ascertain the movement from an amount of Kshs.178,578,512 as at 30 June, 2020 to an amount of Kshs.24,665,654 reported as at 30 June, 2021.

In addition, third party confirmation indicated that the County Executive owed Kenya Medical Supplies Agency (KEMSA) a total of Kshs.53,817,188 as at 30 June, 2021, an amount which had not been disclosed as a pending bill in the financial statements.

In the circumstances, the accuracy and regularity of the pending bills of Kshs.24,665,654 could not be confirmed.

472. Unsupported Compensation of Employees

As disclosed in Note 11 to the financial statements, the statement of receipts and payments reflects compensation of employees amount of Kshs.2,413,371,039 which includes basic wages of temporary employees amount of Kshs.185,511,489. However, the supporting payment vouchers provided for wages of temporary employees amounted to Kshs.204,213,095 resulting to an unexplained variance of Kshs.18,701,606.

Further, review of the payroll data revealed that gross pay totalling to Kshs.204,213,095 was processed outside the Integrated Personnel and Payroll Database (IPPD) and managed in excel worksheets contrary to the IPPD manual and regulations.

In addition, review of the temporary employees' payroll data revealed that some of the casuals have identical identification numbers and bank account numbers

In the circumstances, the accuracy and regularity of wages of temporary employees of Kshs.185,511,489 could not be confirmed.

Other Matter

473. Budgetary Control and Performance

The statement of receipts and payments reflects County own generated receipts of Kshs.110,441,691 against budgeted amount of Kshs.140,352,202 resulting to under collection of Kshs.29,910,511 or 21 % of the budgeted amount. Collection of revenue from land rates, land surveying, fees for land valuation services are yet to be started. The Management has explained that physical planning for the County has not been done and there exists land disputes in court which have not yet been resolved

Similarly, the statement reflects an approved budget of Kshs.6,990,168,407 against actual expenditure of Kshs.6,215,486,985 resulting to an overall under expenditure of Kshs.772,681,421 or 11%.

The under collection and under-absorption of funds may have impacted negatively on the delivery of goods and services to the public.

474. Late Exchequer Releases

As disclosed in Notes 1A and 1C to the financial statements, the statement of receipts and payments reflects exchequer releases amount of Kshs.5,862,901,714 which comprises equitable share amount of Kshs.5,430,760,200 and donor funds released through exchequer releases as per CARA amounting to Kshs.434,141,514. However, equitable share amount of Kshs.1,275,178,500 and the donor funds amounting to Kshs.135,588,792, all totalling to Kshs.1,410,767,292 were received from The National Treasury into the County Revenue Fund bank account between 21 June, 2021 and 06 July, 2021.

In the circumstances, implementation of programmes and activities planned for the year was delayed which in turn constrained delivery of services to the public.

475. Unresolved Prior Year Audit Matters

There were issues raised in the audit report for 2019/2020 financial year. However, no report or recommendations from the County Executive Management and oversight bodies were submitted for audit verification and clearance. Further, the issues remain unresolved without satisfactory reasons.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

476. Delay in Project Implementation

Review of the Project Implementation Status as at 30 June, 2021 provided, indicated that approximately a total of two thousand one hundred and fifty-three sixty-seven (2153)

projects were funded at an estimated cost of Kshs.2,556,830,425 out of which one thousand nine hundred and seventy (1970) projects were completed, one hundred and forty-six (146) are on-going, twenty-one (21) are yet to start and one stalled.

Further, physical verification done during the audit in the month of November, 2021, on twenty-eight (28) projects with a contracted sum of Kshs.493,329,830, with payments totalling to Kshs.102,442,731 made as at 30 June, 2021, confirmed the completion of fifteen (15), six (6) ongoing, two (2) not in use, one (1) stalled whereas twelve (12) projects were incomplete.

In the circumstances, the value for money and service delivery to the public for the delayed and stalled projects could not be confirmed.

477. Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

The statement of receipts and payments reflects compensation of employees' payments of Kshs.2,413,371,039 as disclosed in Note 11 to the financial statements. However, the expenditure on compensation of employees represents 39% of the total revenue of Kshs.6,125,838,091 and therefore exceeds the ceiling set in Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 of 35% of the total county revenue.

In the circumstances, Management was in breach of the law.

478. Non-Compliance with the Law on One-third Basic Salary Rule

The statement of receipts and payments reflects compensation of employees' payments of Kshs.2,413,371,039. Review of the payroll revealed instances where several employees were receiving net salaries which were less than a third of their respective basic salaries. This is contrary to Section 19(3) of the Employment Act, 2007 which states that the total amount of deduction of the wages of an employee should not exceed two thirds of such wages.

In the circumstances, Management was in breach of the law.

479. Acquisition of Assets

As disclosed in Note 17 of the financial statements, the statement of receipts and payments reflects acquisition of assets expenditure of Kshs.860,589,811. The following observations were made:

479.1 Irregular Purchase of Tractors and Ambulances

The expenditure includes purchase of vehicles and other transport equipment balance of Kshs.56,037,676. Review of records revealed that ten (10) tractors and trailers were purchased on 13 May, 2021 at a total cost of Kshs.35,000,460 and two (2) ambulances were purchased on 29 June, 2021 at a total cost of Kshs.21,037,216.

The County Executive based the procurement on a framework agreement between the Ministry of Transport, Infrastructure, Public Works, Housing and Urban Development, State Department for works, Supplies Branch and the supplier which was signed on 02 May, 2019. However, Management did not provide evidence of the approval from the Accounting Officer in writing approving the usage of the registered list of suppliers from the State Department for Works, a complete list of all the suppliers that were awarded the framework tender including the agreement entered into and evidence showing that the bidders were subjected to a competitive process.

Further, logbooks for the tractors and ambulances, inspection and acceptance report were not provided.

In addition, a physical verification of the tractors carried out during the month of November, 2021 revealed that six (6) tractors had not been put to use since 16 March, 2020 when they were delivered.

In the circumstances, Management was in breach of the law and value for money may not have been realized as the tractors have remained unutilized.

479.2 Proposed Completion of Education Office Block

The expenditure includes construction of buildings amount of Kshs.237,377,903. Out of this expenditure, an amount of Kshs.4,094,417 was paid to a contractor towards the completion of an education office block at a contract sum of Kshs.4,999,960 which was signed on 06 May, 2021.

Although the contract was expected to be completed within a duration of three months after signing of the contract, physical verification conducted in the month of November, 2021 indicated that works costing a total of Kshs.1,146,760 had not been completed and a site board for the project was not erected as provided for in the Bills of Quantities.

In the circumstances, Management was in breach of the law and value for money on the project could not be confirmed

480. Irregular Operation of Deposit and Retention Account

The statement of assets and liabilities reflects bank balance of Kshs.672,764,879. Included in the balance is County deposit and suspense account with a balance of Kshs.63,137,022. However, the bank account is operated at a commercial bank instead of Central Bank of Kenya. This was contrary to Regulation 82(1a) of the Public Finance Management (County Governments) Regulations, 2015 which states that all County exchequer accounts shall be opened at the Central Bank of Kenya.

In the circumstances, Management was in breach of the law.

481. Non-preparation and Submission of Departmental Financial Statements

During the year, Management did designate, in writing, Accounting Officers to be responsible for managing finances of the County Government entities. However, the Accounting Officers did not prepare and submit the annual financial statements in respect of the County Government entities to the Auditor-General and deliver a copy to the County Treasury, Controller of Budget, and the Commission on Revenue Allocation, contrary to Sections 148(1), 163(1) and 164(1) of the Public Finance Management Act, 2012.

In the circumstances, Management was in breach of the law.

482. Automation of the Revenue Collection System

As disclosed in Note 14 to the financial statement, the statement of receipts and payments reflects transfers to other Government units amounting to Kshs.1,746,741,148 which includes current grants to Government agencies and other levels of Government totalling to Kshs.178,694,901. Included in the expenditure is an amount of Kshs.7,000,000 which was paid to a contractor for the supply, delivery, customization and commissioning of a revenue collection and management system under the Kenya Development Support Programme.

The firm was awarded the tender in January, 2019 at a contract sum of Kshs.42,000,000. The first installment of Kshs.8,400,000 was paid on 31 January, 2019 and the second installment of Kshs.16,800,000 paid on 17 January, 2020. Review of the system modules however revealed that not all modules were customized and functional, cash payments were still accepted, and the system was not integrated with other systems like Hospital Information Management System, Integrated Personnel and Payroll Database (IPPD), Integrated Finance Management Information System (IFMIS) and revenue bank accounts.

Further, evidence of staff training and stores records for computers were not provided.

In the circumstances, it was not possible to confirm whether the County Executive obtained value for money on the revenue automation system.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

483. Lack of Risk Assessment Policy and Disaster Recovery Plan

Management had not developed a Risk Management Policy and Risk Assessments were not performed for the year ended 2020/2021. This was contrary to Regulation 158(1) and 163(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each County Government entity to develop risk management strategies and a system of risk management.

Further, a disaster recovery plan or business continuity plan was not in place to ensure that the County Executive recovers its functionality in case of an unplanned incident or disaster.

In the circumstances, existence of an effective risk assessment and disaster recovery plan could not be confirmed.

484. Updating of the Asset Register

The summary of fixed assets register at Annex 6 to the financial statements reflects total consolidated assets balance of Kshs.7,573,256,031 comprising of land, buildings and structures, transport equipment, office equipment, furniture and fittings, ICT equipment, machinery and equipment, biological assets and infrastructure assets. Examination of the detailed asset register provided for audit revealed that the asset register was not updated as it contained only the assets that were acquired during the financial year 2020/2021 and not all the assets acquired and owned by the County Executive since inception.

Further, the asset register did not include important details like size of the parcels of land, the terms under which the land is held by the County Executive, address, dates of acquisition, disposal or major change in use of the assets. In addition, the assets register includes assets such as Early Childhood Development Education (ECDE) classrooms, playgrounds in various primary schools; tree seedlings, certified seeds, irrigation pipes and pesticides which were distributed to farmers at various wards in the County and therefore not owned by the County Executive.

In the circumstances, custody and safety of the assets could not be confirmed.

COUNTY EXECUTIVE OF SAMBURU - NO.25

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

485. Variances Between the Statement of Receipts and Payments and Integrated Financial Management Information System (IFMIS)

As disclosed in Notes 12, 15 and 17 to the financial statements, the statement of receipts and payments reflects amounts that were at variances with respective accounts in the IFMIS records as indicated below:

Description	Amount as per Statement of Receipts and Payments (Kshs.)	Amount as Per IFMIS Report (Kshs.)	Variance (Kshs.)
Use of Goods and Services	1,216,178,191	914,582,393	301,595,798
Acquisition of Assets	1,241,289,302	896,452,819	344,836,483
Other Grants and Payments	168,146,271	194,899,483	(26,753,266)

In the circumstances, the accuracy and regularity of the balances could not be confirmed.

486. Unsupported Acquisition of Assets

As disclosed in Note 17 to the financial statements, the statement of receipts and payments reflects acquisition of assets of Kshs.1,241,289,302 which includes reversal entry on Polytechnic cost of Kshs.3,600,000, under refurbishment of buildings. However, supporting documents for the expenditure were not provided for audit.

In the circumstances, the accuracy and regularity of the expenditure amounting to Kshs.3,600,000 could not be confirmed.

487. Inaccuracies in Insurance Costs

As disclosed in Note 12 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.1,216,178,191 on use of goods and services which includes insurance costs of Kshs.186,686,340. However, review of documents provided on insurance expenditure revealed payments totalling to Kshs.9,950,757 that were not related to insurance expenditure.

In the circumstances, the accuracy and propriety of insurance costs of Kshs.9,950,757 could not be ascertained.

488. Inaccuracies in Acquisition of Assets

As disclosed in Note 17 to the financial statements, the statement of receipts and payments reflects acquisition of assets payments of Kshs.1,241,289,302 which includes research, studies, project preparation, design and supervision expenditure of Kshs.97,522,446. The expenditure includes payments of Kshs.14,000,000, in respect to KRA Agency Notice payment in respect of PAYE deductions for the month of June, 2021 wrongly charged to research, studies, project preparation, design and supervision expenditure instead of compensation of employees.

In the circumstances, the accuracy and completeness of research, studies, project preparation, design and supervision expenditure of Kshs.97,522,446 could not be confirmed.

489. Summary of Non-Current Assets Register

Annex 6 to the financial statements reflects non-current assets balance of Kshs.4,914,380,987. However, the land is reflected as having nil balance despite the County Executive owning several parcels of land including those inherited from the defunct Local Authorities.

In the circumstances, the accuracy and completeness of summary of non-current assets register balance of Kshs.4,914,380,987 could not be confirmed.

490. Pending Accounts Payables

Note 1 under other important disclosures to the financial statements reflects pending accounts payables totalling to Kshs.583,631,274. However, the analysis of pending accounts payables under Annex 2 to the financial statements reflects total pending accounts payables of Kshs.613,688,826 resulting to an unexplained difference of Kshs.30,057,552.

Further, pending bills amounting to Kshs.41,326,203, which should have been paid as a first charge in 2020/2021 financial year were still outstanding as at 30 June, 2021. This is contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the county government does not default on debt obligations.

In the circumstances, the regularity, accuracy and completeness of pending accounts payables of Kshs.583,631,274 could not be confirmed.

491. Inaccuracies in Accounts Receivables

The statement of assets and liabilities reflects accounts receivables- outstanding imprests balance of Kshs.41,297,918 as disclosed in Note 22 to the financial statements. As previously reported, included in the balance is an amount of Kshs.15,527,402 owed by unnamed County Assembly Members and staff. Further, included in the outstanding

imprests balance is an amount of Kshs.25,770,516 in respect of Government imprests. However, Annex 5 (analysis of accounts receivables) to the financial statements reflects Government imprests balance of Kshs.917,500, resulting in an unexplained variance of Kshs.24,853,016.

In the circumstances, the accuracy and completeness of accounts receivables balance of Kshs.41,297,918 could not be confirmed.

492. Unsupported Cash and Bank Balances

As disclosed in Note 21A to the financial statements, the statement of assets and liabilities reflects bank balances of Kshs.1,483,452,657. The balance includes Samburu County RMLF bank balance of Kshs.23,551,887 whose bank reconciliation statement for the month of June, 2021 revealed that the balance excluded long outstanding payments in bank statements not captured in the cash book totalling to Kshs.1,655,425 relating to the months of January and April, 2021. However, Management did not explain the nature of these payments and why they had not been posted to the cash book as at 30 June, 2021.

In the circumstances, the accuracy and completeness of Samburu County RMLF bank balance of Kshs.23,551,887 could not be confirmed.

493. Inaccuracies in County Own Generated Receipts

[The statement of receipts and payments reflects County own generated receipts of Kshs.68,285,168 as disclosed in Note 9 to the financial statements. However, the supporting schedules provided reflected a balance of Kshs.52,051,378 resulting in an unexplained variance of Kshs.16,233,790.

In the circumstances, the accuracy and completeness of County own generated receipts of Kshs.68,285,168 could not be confirmed.

494. Inaccuracies in Summary Statement of Appropriation

Review of approved expenditure budget revealed variances totalling to Kshs.9,800,000 between approved budget and summary statement of appropriation - recurrent and development combined balances as shown below:

Item	Summary Statement of Appropriation Amount (Kshs.)	Approved Budget Amount (Kshs.)	Variance (Kshs.)
Compensation of Employees	1,966,263,066	1,965,263,066	1,000,000
Use of Goods and Services	1,505,615,770	1,491,315,770	14,300,000
Transfers to Other Government Units	169,300,000	182,000,000	(12,700,000)
Other Grants and Transfers	182,000,000	167,400,000	14,600,000
Social Security Benefits	4,315,000	11,715,000	(7,400,000)
Total	**3,827,493,836**	**3,817,693,836**	**9,800,000**

In the circumstances, the accuracy of summary statement of appropriation for the year ended 30 June, 2021 could not be confirmed.

495. Unsupported Prior Year Adjustments

The statement of assets and liabilities reflects prior year adjustments balance of Kshs.31,033,567 as disclosed in Note 25 to the financial statements. However, the analysis and nature of the prior year adjustments was not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of prior year adjustments balance of Kshs.31,033,567 could not be confirmed.

Other Matter

496. Budgetary Control and Performance

The statement of appropriation - recurrent and development combined reflects final own generated receipts from local sources budget and actual on comparable basis totalling to Kshs.80,312,319 and Kshs.68,285,168 respectively resulting in an under-collection of Kshs.12,027,152 or 15% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.6,150,160,890 and Kshs.4,802,323,880 respectively resulting in an under-expenditure of Kshs.1,347,837,010 or 22% of the budget.

The undercollection of receipts and underexpenditure affected the planned activities and may have impacted negatively on service delivery to the public.

497. Late Exchequer Release

As disclosed in Note 1 to the financial statements, the statement of receipts and payments reflects exchequer releases of Kshs.4,620,900,000, out of which an amount of Kshs.1,548,001,500 or 33.5% of the exchequer releases were received during the months of June and July, 2021, an indication of delayed disbursements of funds by The National Treasury.

The delayed Exchequer releases may have affected the County Executive's ability to implement its planned programmes and possible underutilization of the budget, resulting to negative impact on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

498. Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

The statement of receipts and payments reflects compensation of employees' expenditure of Kshs.1,999,286,955 which represents 38% of the total receipts of Kshs.5,269,366,461. The County Executive therefore exceeded the 35% limit set under

Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, Management was in breach of the law.

499. Non-Compliance with Law on Staff Ethnic Composition

Review of ethnic composition of employees of the County Executive in the year 2020/2021 revealed that out of total of 2,212 staff on permanent and pensionable and contractual terms, 1,791 or 81 % were from the dominant ethnic community in the County. This is contrary to Section 65(1)(e) of the County Governments Act, 2012 which requires County Government to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county

In the circumstances, Management was in breach of the law.

500. Irregular Payment of Salary

The County Executive has an automated Integrated Payroll and Personnel Database (IPPD) system in place. However, a review of the monthly payrolls revealed that five hundred and forty-six (546) staff had not been included in the database and were being paid salaries outside the IPPD payroll amounting to Kshs.245,598,376. This was contrary to Treasury Circular No 9/2017 that requires Personnel emolument to be supported by IPPD.

In the circumstances, Management was in breach of the law.

501. Overpayment of House Allowance

The statement of receipts and payments reflects compensation of employees' expenditure of Kshs.1,999,286,955. However, an analysis of the house allowance payable to the County staff in reference to Salaries and Remuneration Commission (SRC) circular referenced SRC/TS/MDP/3/1/2 (2) revealed that one hundred and seventy-three (173) staff were paid house allowance of Kshs.34,147,000 instead of Kshs.5,478,300 during the financial year 2020/2021, resulting to overpayment of Kshs.28,668,700.

In the circumstances, Management was in breach of the law.

502. Long Serving Employees in Probation

Review of a sample drawn from employees' register for the year 2020/2021 revealed that twenty-four (24) employees were still on probation yet they were in employment for more than six (6) months. This is contrary to Section 1 of the County Public Service Human Resource Manual 2013, which requires that an officer appointed to the service in a pensionable post shall be confirmed in appointment and admitted in permanent and pensionable establishment on completion of probation period of six (6) months.

In the circumstances, Management was in breach of the law.

503. Renumeration of Full Time Board Members

Review of monthly gross pay made to County Public Service Board members during the year under review revealed that, seven (7) members were paid an amount of Kshs.11,219,635, which was one scale above their level, instead of an amount of Kshs.9,518,110, thereby occasioning overpayments of Kshs.1,701,525. This was contrary to the provisions of SRC Circular Ref No. SRC/TS/CGOVT/3/61 VOL.IV(49) of 8 December, 2017.

In the circumstances, Management was in breach of the law.

504. Use of Goods and Services Expenditure

As disclosed in Note 12 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.1,216,178,191 on use of goods and services. Review of documents provided for audit revealed the following anomalies:

504.1 Irregular Payment of Airtime Allowances

The expenditure includes communication supplies and services payments of Kshs.5,436,858, which further includes an amount of Kshs.3,611,268 paid in form of airtime allowance to staff. However, the Management did not provide SRC approval or any other policy for payment of airtime allowance.

In the circumstances, the regularity of the expenditure of airtime allowance of Kshs.3,611,268 could not be confirmed.

504.2 Irregular Payment to Council of Governors

The expenditure includes other operating expenses of Kshs.523,267,516, which further includes an amount of Kshs.1,936,280 paid to Council of Governors. However, the payment was not based on any legislation or policy. This was contrary to Section 37 of the Inter-Governmental Relations Act, 2012 which provides that operational expenses for the structures and institutions established by the Act shall be provided for in the annual estimates of the revenue and expenditure of the National Government.

In the circumstances, Management was in breach of the law.

504.3 Irregular Repair of Motor Vehicles

The expenditure includes an amount of Kshs.23,633,758 on routine maintenance-vehicles and other transport equipment which further includes an amount of Kshs.564,890 on repair of motor vehicles. Review of documents revealed that the repair services were directly procured. This was contrary to Section 91 of the Public Procurement and Asset Disposal Act, 2015 which provides that open tendering shall be the preferred procurement method for procurement of goods, works and services and the procuring entity may use an alternative procurement procedure only if that procedure is allowed and satisfies the conditions under this Act for use of that method. Further, motor vehicle inspection reports

were not provided for audit review to validate the expenditure. In addition, the repairs were not recorded in the respective motor vehicle work tickets/log books.

In the circumstances, the regularity and value for money for the expenditure of Kshs.564,890 on repair of motor vehicles could not be confirmed.

504.4 Irregular Payment of Allowances to Village Council Members

The expenditure includes hospitality supplies and services expenditure of Kshs.86,069,350, which further includes an amount of Kshs.48,661,400 sitting allowances paid to village council of elders during the year under review. However, there was no evidence provided for audit that the allowances were approved by SRC.

In the circumstances, the regularity of the expenditure of Kshs.48,661,400 could not be confirmed.

504.5 Irregular Payment of Imprest

The expenditure includes domestic travel and subsistence expenditure of Kshs.112,838,958, which further includes an amount of Kshs.95,125,163 paid as reimbursements. However, applications for imprests were not provided for audit. This is contrary to Regulation 51(1) and Regulation 93(1) of the Public Finance Management (County Governments) Regulations, 2015 that requires that no public officer shall spend or commit funds until he or she has been properly authorized by means of an Authority to Incur Expenditure and an imprest shall be issued for a specific purpose, and any payments made from it, shall be only for the purposes specified in the imprest warrant.

In the circumstances, Management was in breach of the law.

504.6 Unutilized Bio-Medical Incinerators

The expenditure includes other operating expenses expenditure of Kshs.523,267,516, which further includes an amount of Kshs.26,800,000 spent on supply, delivery and commissioning of two (2) Bio-Medical Incinerators. However, physical verification carried out in November, 2021 at Maralal Level IV Hospital revealed that the incinerators were delivered on 12 May, 2021 but had not been operationalized. There was no evidence that testing, and commissioning of the incinerators was done. In addition, despite the project having been fully paid for, official handover had not been done to the hospital Management in November, 2021.

In the circumstances, the value for money for the expenditure of Kshs.26,800,000 for the incinerators could not be confirmed.

504.7 Procurement of Motor Vehicles Insurance

The expendutire also includes insurance costs of Kshs.186,686,340, which further includes an amount of Kshs.7,997,854 spent on motor vehicles insurance. However, procurement of motor vehicles insurance services was split per department and sourced through request for quotations. This was contrary to the provisions of Section 54(1) of

Public Procurement and Asset Disposal Act, 2015 which requires that no procuring entity may structure procurement as two or more procurements for the purpose of avoiding the use of a procurement procedure except where prescribed.

In the circumstances, Management was in breach of the law.

505. Irregular Engagement of Casuals

The statement of receipts and payments reflects compensation of employees' expenditure of Kshs.1,999,286,955, which includes an amount of Kshs.9,715,192 paid to casuals working in the Department of Health. However, there was no formal engagement of casuals including approval of the County Public Service Board, letters of temporary employment and other personal credentials. Further, information such as date of hire, period served, duties performed and qualifications of the casuals was not provided for audit.

In addition, the casuals were engaged for more than three months without review of their terms. This was contrary to Employment Act, 2007. Further, there was no evidence that staff rationalization to assess the need for casuals was carried out. It was therefore, not possible to confirm that there was optimal use of available workforce. In addition, the actual work done by the casuals was not documented.

In the circumstances, the propriety and value for money for the expenditure of Kshs.9,715,192 on casual wages could not be confirmed.

506. Failure to Deduct and Remit Income Tax

Review of the payroll revealed that an amount of Kshs.463,629 in respect to PAYE was not deducted and remitted to Kenya Revenue Authority (KRA). This was contrary to Section 37(1) of Income Tax Act Cap 470, which states that 'An employer paying emoluments to an employee shall deduct therefrom, and account for tax thereon, to such extent and in such manner as may be prescribed'.
In the circumstances, Management was in breach of the law.

507. Irregular Funding of the County Assembly

During the year under review, the County Executive paid allowances amounting to Kshs.2,649,700 to Members of the County Assembly(MCAs) and County Assembly staff for attending workshops and meetings. However, Management did not provide evidence on why the MCAs and County Assembly staff were facilitated by the County Executive despite the County Assembly having its own budget for such activities.

In the circumstances, the propriety of the expenditure of Kshs.2,649,700 could not be confirmed.

508. Acquisition of Assets

As disclosed in Note 17 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.1,241,289,302 on acquisition of assets. Review of records provided for audit revealed the following anomalies:

508.1 Uncertified Rehabilitation Works

The expenditure includes rehabilitation and renovation of plant, machinery and equipment expenditure of Kshs.24,864,214 which relates to water works and rehabilitation of water projects. However, review of project files revealed that the works were not certified by respective technical departments. This was contrary to Section 150(3) of Public Procurement and Asset Disposal Act, 2015 which requires certification where goods, works and services under subsection (2), are of technical nature and the specifications were provided by a technical department or professionals

In the circumstances, the propriety and value for money for the expenditure of Kshs.24,864,214 on the water works and rehabilitation of water projects could not be confirmed.

508.2 Failure to Distribute Procured Furniture

The expenditure also includes purchase of office furniture and general equipment amounting to Kshs.21,910,868, which further includes an amount of Kshs.7,920,300 paid to a firm for supply and delivery of Early Childhood Development Education (ECDE) furniture. Review of records revealed that the furniture was delivered on 20 April, 2021, however, at the time of audit in November, 2021 the furniture had not been distributed to the respective ECDE schools.

In the circumstances, the value for money for the expenditure of Kshs.7,920,300 spent on ECDE furniture could not be confirmed.

509. Unsatisfactory Implementation of Projects

Physical verfication of a sample of development projects valued at Kshs.16,261,100 revealed several unsatisfactory issues as detailed below:

	Project Description	Amount Paid (Kshs.)	Remarks
1.	Construction of Nonkupuli Dispensary, Staff House and Sanitary Block	7,245,580	Sanitary and windows fittings were not done, electrical works were incomplete, poor workmanship on paintwork, walls and ceiling.
2.	Construction of classroom at Mugur ECD Centre	1,192,990	Poor drainage system leading to flooding of the classroom, electrical works were not done.

	Project Description	Amount Paid (Kshs.)	Remarks
3.	Drilling and Equipping of Silango and Sukurio Boreholes	6,631,200	The Projects were incomplete, and the contractor had abandoned site. The water levels were low. There was no evidence of drill logs, material testing, water testing, equipment testing, stores receipts of pumps to confirm specifications as provided in the Bills of Quantity.
4.	Construction of classroom at Lopeswo ECD Centre	1,191,330	The floor was not done with red oxide as per Bill of quantity requirements, electrical works were not done and the floor has visible cracks and potholes.
	Total	**16,261,100**	

In the circumstances, the value for money for the expenditure of Kshs.16,261,100 spent on the projects could not be confirmed.

510. Failure to Remit Pension Contributions

Review of The National Treasury Circular referenced IGFR/PB/01/J (69) dated 28 October, 2021, and other records revealed that a total of Kshs.235,647,419 staff pension contributions consisting of principal amount of Kshs.32,542,004, interest of Kshs.184,373,428 and actuarial valuation Kshs.18,731,987, and respectively had not been remitted to the respective Pension Funds. This is contrary to Section 94(1) of Public Finance Management Act, 2012. The County Executive is likely to incur further huge interest and penalties on non-remittance of pension contributions and

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

511. Lack of Risk Management Policy

As previously reported, the Management did not give evidence of the existence of a Risk Management Policy to guide on risk assessment and formulation of risk mitigation strategies in the year under review. This is contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to develop risk management strategies which include fraud prevention mechanism and internal control that builds robust business operations.

In the circumstances, it has not been possible to confirm whether the internal controls built within the financial and operational systems were functioning as intended.

512. Lack of a Reliable Revenue Collection System

The County Executive has not developed a reliable revenue collection and management system and instead uses the outdated, Local Authority Integrated Financial Operations Management System (LAIFOM) which is unable to provide relevant information to aid Management in decision making.

In the circumstances, existence of an effective revenue management system could not be confirmed.

COUNTY EXECUTIVE OF TRANS NZOIA - NO.26

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

513. Inaccuracies in Cash and Cash Equivalents

The statement of assets and liabilities reflects a cash and cash equivalents balance of Kshs.959,267,823 which, as disclosed in Note 11 to the financial statements, comprises of bank balances held in twenty-one (21) bank accounts. However, out of the twenty-one (21) bank accounts, two (2) bank accounts reflects balances of Kshs.575,849,390 and Kshs.25,124,054 in respect to Revenue Fund account and Village Polytechnic account respectively, which differ from the balances of Kshs.470,582,680 and Kshs.22,888,272 reflected in the respective bank reconciliation statements. The differences of Kshs.105,266,710 and Kshs.2,235,782 respectively, between the two sets of records have not been reconciled.

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.959,267,823 could not be confirmed.

514. Inaccuracies in Compensation of Employees

The statement of receipts and payments reflects expenditure amount of Kshs.2,600,388,022 under compensation employees which, as disclosed in Note 5 to the financial statements comprises of expenditure incurred under five (5) sub-components. However, review of the expenditure indicates that four (4) out of the five (5) sub-components differed significantly with the respective expenditure balances recorded in the payroll in the Integrated Payroll and Personnel Data (IPPD) as detailed below:

Compensation of Employees	**Financial Statements Amount**	**IPPD Amount**	**Variance**
	(Kshs.)	**(Kshs.)**	**(Kshs.)**
Basic Salaries of Permanent Employees	1,262,983,683	2,461,899,588	(1,198,915,905)
Basic Wages of Temporary Employees	93,981,761	92,476,816	1,504,945
National Social Security Schemes	2,866,300	2,845,600	20,700
National Health Insurance Schemes	36,476,200	43,264,750	(6,788,550)

In the circumstances, the accuracy of the compensation of employees' amount of Kshs.2,600,388,022 could not be confirmed.

515. Unsupported Expenditure on Office and General Supplies

The statement of receipts and payments reflects expenditure of Kshs.833,838,221 under use of goods and services, which as disclosed in Note 6 to the financial statements includes an amount of Kshs.51,294,756 incurred on office and general supplies, out of which an amount of Kshs.11,177,000 was paid to six (6) suppliers for supply and delivery of office items. However, the expenditure was not supported by delivery notes, invoices, counter receipt vouchers, counter requisition and issue vouchers and distribution lists.

In the circumstances, the regularity of the expenditure of Kshs.11,177,000 on office and general supplies and services could not be confirmed.

516. Usupported Accounts Receivable

The statement of assets and liabilities reflects accounts receivable balance of Kshs.2,133,100 which, as disclosed in Note 12 to the financial statements relates to outstanding imprests from six (6) departments. However, an imprest register and ageing analysis were not provided for audit.

In the circumstances, the accuracy and regularity of the accounts receivable balance of Kshs.2,133,100 could not be confirmed.

517. Unsupported Accounts Payable - Pending Bills

The statement of assets and liabilities reflects accounts payable balance of Kshs.5,187,270 which, as disclosed in Note 13 to the financial statements, comprises of Kshs.379,524 and Kshs.4,807,747 relating to deposits and retention monies respectively. However, analysis and documents were not provided to support the two balances.

In the circumstances, the accuracy and regularity of the accounts payable balances of Kshs.5,187,270 could not be confirmed.

Other Matter

518. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined indicates that the County Executive had an approved receipts final budget of Kshs.8,396,207,368 out of which an amount of Kshs.7,411,640,175 of the budget was actually received resulting to revenue under collection of Kshs. 984,567,193 or 12% of the budget. Similarly, the statement reflects budgeted expenditure of Kshs.8,396,207,368 and actual expenditure of Kshs.6,952,087,427 resulting to underexpenditure of Kshs.1,444,119,941or 17% of the budget.

Further, review of receipts indicates that Exchequer issues totalling to Kshs.1,468,876,500 were received in late June, 2021 and early July, 2021 which negatively impacted on service delivery to the public.

In addition, Management had projected to collect local revenue amounting to Kshs.493,799,500. However, only an amount of Kshs.340,453,746 or about 69% of the budget was realised, resulting in a shortfall amounting to Kshs.153,345,754.

The under-collection and under-expenditure was an indication that some planned programs were not implemented as envisaged which adversely affected provision of expected services to the public.

519. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, and Report on Lawfulness and Effectiveness in Use of Public Resources, Report on Effectiveness of Internal Controls, Risk Management and Governance. Although Management has indicated that the issues have been resolved, the matters remain unresolved as the Senate has deliberated and issue recommendation on them.

520. Pending Accounts Payable - Pending Bills

Notes 1 and 2 of other important disclosures show that the County Executive had pending accounts payable (pending bills) of Kshs.799,103,165 and Kshs.57,105,095 relating to accounts payable and staff payables respectively, totalling to Kshs.856,208,260.

Failure to settle bills during the year to which they relate distorts the financial statements for that year and adversely affects budgetary provisions for the subsequent financial year.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

521. Irregular Voiding of Payments

Analysis of the Integrated Financial Management Information System (IFMIS) revealed that a total of 1,297 payments with amounts totalling to Kshs.824,903,009 were voided before final payment stage.

No explanation was provided on why payments that had already been approved by the Controller of Budget. No evidence was also provided to show that the cancellation of these payments was notified to the Controller of Budget.

In the circumstances, the propriety of the cancellations could not be confirmed.

522. Compensation of Employees

522.1 Payment of Salaries Outside the Integrated Payroll and Personnel Data (IPPD)

The statement of receipts and payments indicates that the County Executive incurred an expenditure of Kshs.2,600,388,022 on compensation of employees during the year under review. However, review of the payment analysis revealed that the County Executive operated two payroll systems during the year namely, Integrated Payroll and Personnel Data (IPPD) and a manual payroll. Management paid a total of Kshs.41,883,058 through the manual payroll. No explanation was provided for paying salaries and other emoluments outside IPPD system contrary to Chapter 6.3 of the County Financial and Reporting Manual, issued by The National Treasury in March, 2015, which stipulates that all personal and payroll details are reflected in each employee's IPPD data sheet and increments on salary points are automatically effected on IPPD.

522.2 Non-Compliance with the One Third of the Basic Salary Rule

Analysis of the Integrated Payroll and Personnel Data (IPPD) revealed that 865 employees had their salary deductions below two thirds (2/3) of their basic pay and subjected the affected staff to the risk of pecuniary embarrassment. This is contrary to Section 19(3) of the Employment Act, 2007, and County Human Resource Manual 2013, item E.13(1), which states that no salary deduction will be effected beyond two thirds (2/3) of an officer's basic pay.

522.3 Non-remittance of Statutory Deductions

Review of schedules for remittance of statutory deductions for the year under review revealed that Management either failed to remit or delayed to remit amounts due to Local Authority Provident Fund, LAPFUND and Local Authority Provident Trust, (LAP-Trust) amounting to Kshs.105,384,285 as at 30 June, 2021. The County Government is likely to incur penalties and interest on late remittance or non-remittance of statutory dues.

522.4 Irregular Engagement of Casuals

Management incurred an expenditure of Kshs.93,981,761 paid as wages for six hundred and twenty seven (627) casuals. However, no evidence was provided to show that the expenditure was budgeted for in the year under review. Further, no policy guidelines were provided to show the selection criteria, terms of engagement, remuneration and determination of need for casuals. This was contrary to the provisions of Section 74 of the County Governments Act, 2012, which states that the County Public Service Board shall regulate the engagement of persons on contract, volunteer and casual workers, staff of joint ventures and attachment of interns in its public bodies and offices.

In the circumstances, Management was in breach of the law.

523. Lack of Banking of Hospital Revenue

The statement of receipts and payments reflects County own generated revenue totalling to Kshs.340,453,746 which, as disclosed in Note 3 to the financial statements includes an amount of Kshs.142,869,461 being collections from public health facilities. However, review of revenue records from various Sub-county hospitals revealed that out of the total collections of Kshs.142,869,461 from the hospitals, only an amount of Kshs.9,353,299 was banked, leaving unbanked revenues totalling to Kshs.133,516,162 which could have been spent at source.

In the circumstances, the propriety of unbanked revenues totalling Kshs.133,516,162 could not be confirmed.

524. Construction of Trans Nzoia Teaching and Referral Hospital

The County Executive incurred an expenditure of Kshs.72,959,731 on construction of Trans Nzoia County Teaching and Referral Hospital. The contract had been awarded to a local construction company at a contract sum of Kshs.1,602,528,713 for a contract period of 114 weeks to be implemented in two phases: phase 1 for 52 weeks, and phase 2 for 62 weeks. During the year under review, an amount of Kshs.72,959,731 was paid out in relation to the project out of which an amount of Kshs.34,861,917 was paid for consultancy and design while the balance of Kshs.38,097,814 was paid for the main construction. However, although phase 1 was completed in July, 2016, and phase 2 commenced in December, 2018, with the completion date scheduled for September, 2020, physical verification carried out during the month of November, 2021 revealed that the project was still incomplete as three (3) lifts had not been installed, the main laboratory, ENT unit, 16 ICU wards and maternity theatre had not yet been constructed.

In the circumstances, the public has not obtained value for money from the expenditure of Kshs.72,959,731 on the project.

525. Upgrading of Kimuri Water Project

The statement of receipts and payments reflects expenditure of Kshs.1,442,960,454 under acquisition of assets which as disclosed in Note 9 to the financial statements includes an amount of Kshs.634,467,862 on the construction and civil works out of which an amount of Kshs.3,781,550 was made to a contractor in respect of upgrading of Kimuri Water Project in Sinyerere Ward. However, there was no evidence to indicate that the expenditure was budgeted for and included in the approved procurement plan.

Audit inspection carried out during the month of December, 2021 revealed that the contractor used DPE pipes in certain sections of the water pipeline estimated at 30 metres instead of galvanized iron (GI) pipes. No explanation or approval was provided for the variation in project material specifications.

In the circumstances, the public have not obtained value for money from the expenditure of Kshs.3,781,550 on the project.

526. Project Implementation Performance

The County Executive projected to implement a total of 441 projects during the year under review with budgeted amounts totalling to Kshs.1,996,410,234. However, as at 30 June, 2021, only 341 projects had been completed, 67 were in progress, while 33 had not yet commenced. No explanation was provided for the failure to complete the sixty seven (67) projects and commence 33 others.

In addition, physical verfication of other projects under implementation revealed the following unsatisfactory observations:

Project Name	Contract Sum (Kshs.)	Amount Paid (Kshs.)	Comments
Construction of OPD block at Kaptien Dispensary in Sirende Ward	3,150,000	1,207,421	Poor workmanship on walls, floor, wiring, doors and windows
Construction of twin classrooms at Nyasi ECDE in Nabiswa Ward	2,212,297	1,887,067	Cracks on walls, no fire extinguishers, windows have grills against requirement
Construction of twin classrooms at Bwayi ECDE in Kwanza Ward	2,245,730	1,915,032	Building not branded
Construction of twin classrooms at Elakara in Hospital Ward	2,069,040	1,679,116	Windows have grills against requirement, cracks in walls and no fire extinguishers
Construction of pre-fabricated stalls in Matumbei Ward	2,986,000	1,023,310	Building not branded
Maintenance of Letting – Chebukaka – Muroki Road	3,612,000	3,441,364	No inspection and acceptance report, 1 Km not graveled, no appointment letters for tender opening/evaluation committee, no evidence of supervision
Upgrading of Kitale-Referral Road	23,649,877	3,396,089	No evidence of supervision of the project and no approved engineers estimates

In the circumstances, the County Executive did not obtain value for money from the projects as planned.

Basis for Conclusion

527. Information Communication Technology (ICT) Environment

Review of the ICT infrastructure and documents revealed that there was no approved ICT Strategic Committee, Strategic Recovery Plan, formal and documented emergency procedures and ICT Continuity Plan despite continued use and procurement of ICT equipment and software. At the time of audit, there was no antivirus installed on the user machines hence exposing the data stored to malware.

Further, there was no evidence of risk assessment mechanisms to inform the County Executive of awareness of the risks it could be exposed to and the strategies to minimize or manage the risks.

In the circumstances, existenence of an effective ICT controls could not be confirmed.

COUNTY EXECUTIVE OF UASIN GISHU - NO.27

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

528. Inaccuracies in the Statement of Receips and Payments

528.1 Variance Between Statement of Receips and Payments and Integrated Financial Management Information System Reports

The statement of receipts and payments reflects total revenue and expenditure of Kshs.9,086,172,431 and Kshs.8,242,628,169 respectively. However, the balances differed with the Integrated Financial Management Information System (IFMIS) report balances as detailed below:

Receipts	**Statement of Receipts and Payments Amount (Kshs.)**	**IFMIS Reports Amount (Kshs.)**	**Variances (Kshs.)**
Exchequer Releases	7,703,702,518	7,980,495,890	(276,793,372)
Transfers from Other Government Entities	46,395,000	-	46,395,000
Road Fuel Levy Funds	180,175,373	-	180,175,373
Proceeds from Domestic and Foreign Grants	50,223,000	-	50,223,000
County Own Generated Receipts	1,105,676,540	1,105,676,501	-
Payments			
Compensation of Employees	3,568,468,671	3,591,918,490	(23,449,819)
Use of Goods and Services	1,248,352,473	1,511,035,874	(262,683,401)
Transfers to Other Government Units	929,908,400	808,663,753	121,244,647
Other Grants and Transfers	743,365,453	132,198,200	611,167,253
Acquisition of Assets	1,752,341,055	1,684,529,311	67,811,744
Finance Costs, including Loan Interest	192,117	76,148,593	(75,956,476)
Other Payments	-	13,778,940	(13,778,940)

No explanation has been provided by Management for the variances between the two sets of records.

528.2 Unexplained Variance in Exchequer Releases

The statement of receipts and payments reflects exchequer releases amounting to Kshs.7,703,702,518 which includes equitable share amount of Kshs.6,874,380,000 and

Donor Funds released through Exchequer as per County Allocation of Revenue Act (CARA) amount of Kshs.829,322,518. Further, the statement includes proceeds from domestic and foreign grants received directly by the County Executive of Kshs.50,223,000. However, the amounts reflected in the financial statements were at variance with the CARA report as detailed below:

Donor	Amount as per the Financial Statements (Kshs.)	Amount as Per CARA (Kshs.)	Variance (Kshs.)
World Bank-THUSCP	110,491,190	114,973,599	(4,482,409)
Abolishment of user fees in health centers and dispensaries	20,813,065	-	20,813,065
KUSP- UDG	342,682,017	-	342,682,017
EU-Water Tower Protection and Climate Change Mitigation Adaptation Programme	50,223,000	62,574,758	(12,351,758)

Management did not reconcile the variances.

528.3 Payments Made After the End of the Financial Year

As disclosed in Note 14 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.929,908,400, in respect of transfers to other Government units, which includes transfers to County Government entities of Kshs.227,536,280. However, review of payment records and bank statements revealed that transfers to County Government Entities amounting to Kshs.20,000,000 and Kshs.4,036,280 for Inua Biashara Fund and Technical Vocational Training and Educational Training Fund respectively, were paid on 21 July, 2021 after the end of the financial year. As a result, the transactions were not recorded within the correct reporting period.

In the circumstances, the cut off, accuracy and completeness of the statement of receipts and payments could not be confirmed.

529. Use of Goods and Services

The statement of receipts and payments reflects use of goods and services expenditure of Kshs.1,248,352,473 as disclosed in Note 12 to the financial statements. Review of expenditure records provided for audit revealed the following anomalies:

529.1 Unsupported Rentals of Produced Assets

The expenditure includes rentals of produced assets of Kshs.11,272,811, out of which an amount of Kshs.3,471,001 was in respect of rent paid to National Social Security Fund for liaison office space at NSSF building in Nairobi. Although records indicated that the

County Executive took over the office space in 2015, lease agreement between the County Executive and the National Social Security Fund and valuation report by the Ministry of Lands, Housing and Physical Planning were not provided for audit.

In the circumstances, the regularity and accuracy of the rentals of produced assets expenditure of Kshs.11,272,811 could not be confirmed.

529.2 Unsupported Payment for Air Ticketing Services

The expenditure includes an amount of Kshs.180,883,402 in respect of other operating expenses, out of which an amount of Kshs.21,111,505 was paid to two (2) firms for the provision of air ticketing services. However, no evidence was provided to indicate that the contracts were subjected to a competitive procurement process, the Local Service Orders (LSO) were committed in the vote book, and the payment was not supported by boarding passes as evidence of travel and approvals for the journeys made.

In the circumstances, the accuracy and regularity of other operating expenses of Kshs.180,883,402 could not be confirmed.

529.3 Unconfirmed Hospitality Supplies and Services

Further, the expenditure includes an amount of Kshs.81,353,605 in respect of hospitality supplies and services which further, includes an amount of Kshs.5,508,420 incurred on conferences, workshops and services in hotels during the year under review. However, the expenditure was not supported by documents such as signed attendance list of participants, program of the meetings and work tickets.

In the circumstances, the accuracy and completeness of hospitality, supplies and services of Kshs.81,353,605 could not be confirmed.

529.4 Unsupported Legal Fees

The expenditure includes other operating expenses of Kshs.65,050,806 and other current transfers of Kshs.563,463,907 respectively. The payments include legal fees of Kshs.4,801,046 and Kshs.22,940,919 respectively, totalling to Kshs.27,741,965. However, the procurement documents including advertisements, shortlisting, tender evaluation report, prequalification list and detailed breakdown of fees were not provided for audit.

In the circumstances, the accuracy, completeness and regularity of the expenditure of Kshs.27,741,965 could not be confirmed.

530. Unsupported Cash and Cash Equivalents

The statement of assets and liabilities and as disclosed in Note 21A reflects cash and cash equivalents balance of Kshs.2,955,008,825. During the year under review, the County Executive had thirty-two (32) bank accounts. However, monthly bank reconciliation statements for twenty-eight (28) bank accounts were prepared manually

instead of through IFMIS. Further, the bank balance in respect of overseas education bank account in a commercial bank for students proceeding for further studies in Finland and Canada was not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.2,955,008,825 could not be confirmed.

531. Unsupported County Own-Generation Receipts

The statement of receipts and payments reflects County own generated receipts of Kshs.1,105,676,540 which includes plot rent collections amounting to Kshs.272,350,042. However, a valuation roll was not provided to support the land rates charged.

In the circumstances, the accuracy and completeness of County own generated receipts amount of Kshs.272,350,042 could not be confirmed.

532. Unsupported Acquisition of Land

As disclosed in Note 17 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.1,752,341,055 under the acquisition of assets.

The expenditure includes payments totalling to Kshs.43,615,064 made to three (3) vendors for the purchase of parcels of land during the year under review. However, valuation reports and title deeds in respect of the land were not provided for audit.

In the circumstance, the accuracy, completeness and ownership of acquisition of assets of Kshs.43,615,064 could not be confirmed.

533. Unsupported Non - Current Assets

As disclosed in Annex 6 to the financial statements, the County Executive had assets totalling to Kshs.12,775,486,587 as at 30 June, 2021. As reported in the previous year, the balance excludes assets inherited from defunct local authorities in the County in the 2013/2014 financial year. Management explained that the assets were verified and validated and details were forwarded to the Intergovernmental Relations Technical Committee (IGRTC) and Intergovernmental Budget and Economic Council (IBEC) for guidance and direction. This was contrary to the gazette notice No. CXXI-No.81 of 21 June, 2019 which provides that County Governments should record the assets inherited from the defunct Local Authorities on an as-is-where-is basis.

Further, the summary of non-current asset register to the financial statements reflects under assets acquired by the County Executive, land valued at Kshs.178,531,754, buildings and structures of Kshs.5,725,668,562 and transport equipment of Kshs.439,982,340. However, valuation reports and ownership documents including title deeds and logbooks for the assets were not provided for audit.

In the circumstances, the accuracy and completeness of the summary of fixed assets register balance of Kshs.12,775,486,587 could not be confirmed.

534. Inaccuracies in Pending Accounts Payables/ Pending Bills

Note 1, 2 and 3 under other important disclosures to the financial statements reflects pending bills totalling to Kshs.232,594,392 as at 30 June, 2021, which comprised of pending accounts payables of Kshs.116,297,196, pending staff payables - unremitted staff statutory deductions amount of Kshs.2,738,171 and other pending payables of Kshs.113,559,025 which were not paid at the end of the year under audit.

Further, unpaid bills amounting to Kshs.39,427,232 as at 30 June, 2021 for supplies from Kenya Medical Supplies Agency (KEMSA) were not disclosed as a pending bill in the financial statements.

In the circumstances, the accuracy and completeness of pending accounts payables of Kshs.232,594,392 could not be confirmed.

535. Undisclosed Outstanding Pension Contributions

As disclosed in Annex 3 to the financial statements, the County Executive had pending staff payables balance of Kshs.2,738,171 as at 30 June, 2021. However, review of records revealed unremitted retirement benefits contributions to pension funds totalling to Kshs.297,813,110. Further, Management did not provide satisfactory explanation for failure to settle the bills in the year when they occurred or paid as a first charge during the year under review. This is contrary to Section 53 A(1) of the Retirement Benefits Act, 1997 which requires an employer to remit the deduction from the employee's emoluments to a pension scheme within fifteen days of the deduction.

In the circumstances, the accuracy and completeness of pending staff payables balance of Kshs.2,738,171 could not be confirmed.

Other Matter

536. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on a comparable basis of Kshs.12,013,240,315 and Kshs.9,086,172,433 respectively, resulting in an under-funding of Kshs.2,927,067,882 or 8 % of the budget.

Similarly, the statement reflects the final expenditure budget of Kshs.12,013,240,315 and actual expenditure of Kshs.8,242,628,171 resulting in an under-expenditure of Kshs.3,770,612,144 or 31% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

537. Late Exchequer Releases

The statement of receipts and payments reflects exchequer releases totalling to Kshs.7,703,702,518 which includes the County's equitable share of national revenue amounting to Kshs.6,874,380,000 and donor funds of Kshs.829,322,518 as disclosed in Note 1A and 1C to the financial statements respectively. However, donor funds and Exchequer releases amounting to Kshs.756,404,368 were transferred to County Revenue Fund Account by The National Treasury in July, 2021.

The late disbursement of exchequer releases may affect timely implementation of approved programmes in the county and impact negatively on service delivery to the public.

538. Under-Utilization of Funds

538.1 Under Absorbed Fuel Levy Funds

During the year under review, the County Executive received conditional grants in respect of Roads Maintenance Levy Funds (RMLF) amounting to Kshs.180,175,373 equivalent to the respective approved budget amount by the Kenya Roads Board (KRB). Further, the County Executive had unutilized funds for projects amounting to Kshs.194,138,241 carried forward from the previous year, thus resulting in cumulative available funds of Kshs.374,313,614 for the financial year under review. However, the County Executive spent an amount of Kshs.193,123,040 indicating an under-absorption of an amount of Kshs.181,190,574.

The under-absorption of the funds earmarked for roads affected the implementation of the planned development projects in the County.

538.2 Under-Utilization of Donor Funds

During the year under review, the County Executive received donor funds amounting to Kshs.879,545,518 budgeted for various projects, and had unutilized funds amounting to Kshs.1,016,586,058 carried forward from the previous year. However, the County spent an amount of Kshs.872,738,729 as at 30 June, 2021, resulting in an under-expenditure of Kshs.1,023,392,847. Management did not provide any explanations for underperformance.

Further, the County risks losing funding from the donors due to delayed implementation of projects within the agreed timelines thus negatively impacting service delivery to the public.

539. Pending Cases Against the County

As disclosed in Annex 8 to the financial statements, forty-two (42) cases with estimated financial impact of an amount of Kshs.103,210,832 were pending against the County Executive as at 30 June, 2021. However, review of records provided for audit revealed that over 700 court cases were pending against the County Executive. Management

explained that several measures have been put in place to deal with the spiraling court cases including handling the matters in-house, operationalizing the office of the County Attorney, out-of-court settlements and establishment of an independent fund to deal with the court cases.

Pending unresolved cases may have a significant financial impact on the County Executive and can adversely affect future cash flows.

540. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given satisfactory explanation for the failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury and Planning Circular for the year ended 30 June, 2021.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

541. Compensation of Employees

541.1 Non-Compliance with the Law on Fiscal Discipline – Wage Bill

The statement of receipts and payments reflects compensation of employees' expenditure of Kshs.3,568,468,671 which represents 39% of the total receipts of Kshs.9,086,172,431. This was contrary to the 35% limit set under Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, Management was in breach of the law.

541.2 Irregular Payment of Salaries

During the year under review, Management paid an amount of Kshs.3,568,468,671 in respect of compensation of employees. Records provided for audit revealed that expenditure totalling to Kshs.257,655,535 was paid outside the Integrated Personnel and Payroll (IPPD) system. This was contrary to The National Treasury Circular No 9/2017 which requires personnel emoluments to be controlled in the public personnel database and supported by IPPD.

In the circumstances, Management was in breach of the law.

541.3 Non-Compliance with the One Third of Basic Salary Rule

Review of the payrolls revealed that two hundred and ninety-two (292) employees' salary deductions fell below one-third (1/3) of the basic salary. This was contrary to the provisions of Section 19(3) of the Employment Act, 17 of 2007 which requires that deductions made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages.

In the circumstances, Management was in breach of the law.

541.4 Non-Compliance with the Law on Staff Ethnic Composition

During the year under review, the County Executive had a total of three thousand two hundred and nineteen (3,219) employees out of whom two thousand five hundred and seventy (2,570) or 80% of the total number were members of the same ethnic community in the County. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, “all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community”.

In the circumstances, Management was in breach of the law.

541.5 Failure to Deduct Service Charge for Payroll Deductions

Review of records revealed that the County Executive failed to deduct service charges totalling to Kshs.5,076,235 in respect to various third-party deductions. This is contrary to the Ministry of Public Service Circular Ref. No. DPM 23/5A VOLC XII/ (53) dated 2 May, 2007, which requires that charges should be paid by organizations that receive services from Ministries/Departments in form of payroll by-products. Further, Circular Ref. No. MPYG/DPSM/23/5A. VOL.V(5) dated15 August, 2019 increased the service charge rates for services rendered in processing payroll deductions for third-party organizations to allow the implementers to realize reasonable Appropriations-In-Aid.

In the circumstances, Management was in breach of the law.

541.6 Employees with Similar Bank Accounts and Identity Card Numbers

Review of human resource and payroll records for staff revealed that two hundred and thirty-seven (237) employees shared the same bank codes and bank accounts or similar identity card numbers raising questions about their existence. Further, an examination of payments showed that some workers were paid or received double wage within a month resulting in irregular payments totalling to Kshs.238,595.

In the circumstances, the duplicate personal numbers and shared bank accounts may result in overpayment of salaries and loss of public funds.

541.7 Irregular Engagement of Temporary Employees

The statement of receipts and payments reflects compensation of employees’ expenditure of Kshs.3,568,468,671 which includes basic wages of temporary employees of Kshs.113,113,322. However, review of payrolls revealed that the County Executive engaged seven hundred and twenty-five (725) employees on temporary terms continuously for more than three (3) months. This is contrary to Section 37(1) of the Employment Act, 2007 which provides for conversion of the casual employment to a

regular employment terms for employees who have worked in an entity continuously for more than three months. No explanation was provided for the anomaly.

In the circumstances, Management was in breach of the law.

541.8 Irregular Retention of Employees Beyond the Retirement Age

Review of the Integrated Personnel and Payroll Database (IPPD) system revealed that four (4) officers who had attained the mandatory retirement age of sixty (60) years were still on the payroll and active employees of the County Executive and were paid emoluments totalling to Kshs.7,732,704. This was contrary to gazette Notice Ref No.OP.CAB.2/7A of March, 2009 and Section D. 21 of Human Resource Policies and Procedures Manual for the Public Service, 2016. The policy stipulates that all officers shall retire from the service on attaining the mandatory retirement age of 60 years, or 65 years for persons with disabilities and/or as may be prescribed by the government from time to time. Management did not provide explanation for the anomaly.

In the circumstances, Management was in breach of the law.

541.9 Remittance of Statutory Deductions

Review of manual payrolls and internet bank statements for the financial year 2020/2021 revealed that statutory deductions totalling to Kshs.6,738,770 were either not remitted or were remitted after the set deadlines as summarized below:

Statutory Body	Late Remittance (Kshs.)	Un-remitted Amount (Kshs.)	Total (Kshs.)
PAYE	983,492	497,128	1,480,620
NHIF	2,462,200	1,377,350	3,839,550
NSSF	-	1,418,600	1,418,600
Total	**3,445,692**	**3,293,078**	**6,738,770**

Delayed remittance of statutory deductions may lead to wastage of public funds in interest and penalties levied by the authorities which could have been avoided.

In the circumstances, Management may be required to pay interest and penalties levied by the authorities leading to wastage of public funds.

541.10 Promotions of Department of Health Staff

Review of records by the County Public Service Board revealed that a total of 274 staff working under the Department of Health, were promoted out of the total workforce in the post of 1,365 during the year under review. However, the staff bio-data indicating individual staff, qualifications, designation, dates of current appointments, shortlisting and interviews conducted, and report on the promotions were not provided for audit.

In the circumstances, it was not possible to confirm the propriety of the promotions.

542. Nugatory Expenditure

The statement of receipts and payments reflects compensation of employees expenditure of Kshs.3,568,468,671 which includes basic salaries to permanent employees amounting to Kshs.3,072,250,887 as disclosed in Note 11 to the financial statements out of which, an amount of Kshs.23,449,819 was paid to Kenya Revenue Authority as principal tax, penalties and interest during the year under review.

Examination of tax records revealed that the amount was part of payment concerning the KRA demand for payment on 4 May, 2021 for failure to comply with Income Tax Act CAP 470, the VAT Act, 2013, and the tax procedures Act. KRA demanded an amount of Kshs.561,354,707 which comprised of principal tax of Kshs.83,449,819, a tax penalty of Kshs.255,098,872 and interest on penalty of Kshs.64,724,588 based on the difference between tax declaration made by the County Execuive and the audited financial statements relating to various taxes for the period between July, 2015 and June, 2018 as detailed below:

Tax Head	Principal (Kshs.)	Penalty (Kshs.)	Interest @ 1% per Month (Kshs.)	Total (Kshs.)
PAYE	46,639,193	249,244,433	21,086,536	426,991,933
Withholding VAT	32,982,352	4,308,035	30,684,954	96,362,990
Withholding Income Tax	3,397,607	1,524,871	12,784,632	37,379,117
Withholding Rent Income	430,666	21,533	168,466	620,666
Total	**83,449,819**	**255,098,872**	**64,724,588**	**561,354,707**

Although Management on 29 October, 2021 sought a waiver of the penalties and interest of Kshs.255,098,872 and Kshs.64,724,588 respectively, the waiver had not been granted at the time of audit in November, 2021. Further, the amount of Kshs.23,449,819 was not budgeted for in the year under review, which constituted an irregular charge to public funds. This is contrary to Section 149(1)(a) of the Public Finance Management Act, 2012, which requires an Accounting Officer to ensure that the resources of an entity are used in a way that is lawful and authorized.

In the circumstances, the value for money and propriety of the penalties and interest totalling to Kshs.319,823,460 could not be confirmed.

543. Irregular Payment to Council of Governors

Review of expenditure records revealed that during the year under review, the County Executive made payments to the Council of Governors totalling to Kshs.1,936,280. However, the payment was not based on any legislation or policy and contravened Section 37 of the Intergovernmental Relations Act, 2012 which provides that operational

expenses for the structures and institutions established by the Act shall be provided for in the annual estimates of the revenue and expenditure of the National Government.

In the circumstances, Management was in breach of the law.

544. Other Grants and Transfers-Unspent Funds Transferred to Health Facilities

The statement of receipts and payments reflects other grants and transfers of Kshs.743,365,453 which includes other capital grants and transfers of Kshs.178,830,506, out of which an amount of Kshs.20,793,183 was in respect of transfers to various health facilities. However, the funds had not been spent and were still held in the Health facilities bank accounts at the time of audit in November, 2021.

The non-utilization of funds may have adversely affected service delivery to the public.

545. Acquisition of Assets

As disclosed in Note 17 to the financial statements, the statement of receipts and payments reflects expenditure of Kshs.1,752,341,055 on acquisition of assets. Review of expenditure records revealed the following anomalies:

545.1 Proposed Construction of Kaptait Cereal Store

The expenditure includes construction of buildings expenditure of Kshs.535,052,452, out of which an amount of Kshs.4,052,470 was paid to a firm for the proposed completion of Kaptait Cereal store. Examination of the procurement records revealed that the contract was awarded to a winning bidder at a contract sum of Kshs.4,493,240. However, the winning bidder's certificate under Access to Government Procurement Opportunities (AGPO) expired in October, 2018. This is contrary to Section 79(1) of the Public Procurement and Asset Disposal Act, 2015, which requires that a tender is responsive if it conforms to all the eligibility and other mandatory requirements in the tender documents.

In the circumstances, Management was in breach of the law.

545.2 Proposed Erection and Completion of Ziwa Level 5 Hospital

The expenditure includes construction of buildings expenditure of Kshs.535,052,452 which includes payments totalling to Kshs.112,555,388 paid to a firm for the proposed construction of Ziwa Level 5 Hospital (OPD block, X-ray, pharmacy and maternity block) made between September, 2020 and June, 2021. Review of records from inception of the project revealed the following anomalies:

545.2.1 Abandoned Works

The initial tender for the proposed construction of Model Sub-county Hospital Phase 1 - Ziwa Health Centre was awarded to a construction company in the financial year 2014/2015, at a contract sum of Kshs.93,476,582. According to the contract agreement dated 26 June, 2015, the works were scheduled to be complete within fifty-two (52) weeks

from 24 September, 2015 to end on 24 September, 2016. The scope of work entailed the construction of the ground floor, OPD block, maternity block, and family planning block.

The works commenced as per agreement with the first payment totalling to Kshs.3,548,850 paid to the contractor in the 2015/2016 financial year. However, under unclear circumstances, the construction works stalled in the 2016/2017 financial year when only excavation works on a part of the foundation had been done, backfilled and walling done up to four courses on one side while the rest of the foundation had been dug with no backfilling. Although the contractor abandoned the site in the 2016/2017 financial year, the County Executive processed a second payment of Kshs.6,304,926 in 2018/2019 financial year, bringing the total amount paid to Kshs.9,853,776 or 11% of the contract sum without commensurate value for money.

545.2.2 Award of New Contract for Upgrading of the Hospital

Records indicated that the County Executive awarded a new contract to another construction firm at a contract price of Kshs.806,562,179 on 2 January, 2020 for similar works. The scope of works in the new contract was indicated as the proposed erection and completion of Ziwa Sub-county level 5 hospital (OPD block, X-ray block, records block, pharmacy block, and maternity block in Uasin Gishu County. Documentary evidence for the upgrading of the Health facility to level five status was not provided for audit review. This is contrary to Regulation 9 of the Public Procurement and Asset Disposal Regulations, 2020 which requires the user department to be responsible for reporting any departure from the terms and conditions of the contract to the procurement unit.

Further, the construction works were planned to take 40 weeks to be completed by 8 October, 2020. However, a new contract agreement was signed between the County Executive and the contractor extending the period from 40 weeks to 104 weeks. An addendum agreement signed on 2 February, 2022 extended the contract duration by an additional eight (8) months. Justification and reasons that occasioned the changes in contract period were not provided for audit.

In addition, review of the project records in February, 2022 revealed that the contractor had been paid an amount of Kshs.92,616,480 and Kshs.112,555,388 in the 2019/2020 and 2020/2021 financial years respectively, amounting to Kshs.205,171,868 equivalent to 25% of contract sum or completion level when it was supposed to be complete.

In the circumstances, the public may not get value for money for funds already invested in the hospital facilities.

545.3 Procurement of Chicks and Assorted Semen

As disclosed in Note 17 to the financial statements, the acquisition of assets expenditure includes the purchase of certified seeds, breeding stock and live animals of Kshs.42,980,080, out of which an amount of Kshs.8,859,580 was advance payments comprising of Kshs.7,159,980 made to Kenya Agricultural and Livestock Organization (KARLO) for delivery of one-month-old chicks and an amount of Kshs.1,699,600 paid to

Kenya Animal Genetic Resource Centre for the supply of assorted semen and Artificial Insemination accessories. However, audit review of payment records revealed the following anomalies:

i. Management ordered a total of 119,333 one-month-old chicks to be supplied between 7 April, 2021 and 6 October, 2021. However, the supplier had delivered 62,361 chicks leaving a balance of 56,972 chicks.

ii. No evidence was provided showing how the beneficiary groups were identified. Further, three groups were issued with the chicks although they did not meet the mandatory minimum number of twelve (12) members in a group contrary to Section (iv) of the County Government of Uasin Gishu Inua Mama na Kuku Project.

iii. Management did not carry out inspection and monitoring to establish success and challenges in the implementation of the project. As a result, some groups shared out the chicks among the members. Further, an inspection report from the Ministry of Livestock/Veterinary Officers on inspection of the housing structure for the chicks prior to their arrival was not attached. This is contrary to Section (vii) County Government of Uasin Gishu Inua Mama na Kuku Project.

In the circumstances, it has not been possible to confirm whether the value for money on the expenditure of Kshs.8,859,580 spent on project will be achieved.

546. Projects Implementation Status

Review of the Project Implementation Status Report revealed that 812 projects with a budget of Kshs.5,894,276,022 were earmarked by various departments for implementation in 2020/2021 financial year. Payments totalling to Kshs.2,564,108,507 were made towards the implementation of the projects during the year under review. However, specific details and the status of the projects, were not provided for audit.

In the circumstances, it was not possible to establish completed projects, ongoing, stalled or projects not started as at 30 June, 2021.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

547. Weaknesses in Internal Controls Over Processing of Payments

Review of records in support of the expenditure revealed the following anomalies regarding the enforcement of internal controls on payments:

(i) Payment vouchers did not have cheque numbers or internet banking (IB) references, cash book voucher numbers and payment dates for tracking to cash book and bank statements.

(ii) Payment vouchers and the attached supporting documents were not stamped 'PAID' thereby posing a risk of recycling payment vouchers and documentation.

(iii) Some payment vouchers were not examined before payment while others were processed without authorization by AIE holders and approval levels I and II.

(iv) In some instances, payment vouchers did not have completed vote book control/certificates indicating vote items charged, the budgetary allocation, available balance before and after the charge and an authentication by the vote book accountant.

In the circumstances, the effectiveness of the internal controls on payment processing could not be confirmed.

COUNTY EXECUTIVE OF ELGEYO/MARAKWET - NO.28

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

548. Differences Between Financial Statements and Ledger Balances

Balances for several accounts reflected in the financial statements, differ with those reflected in the Integrated Financial Management System (IFMIS) ledger in relation to identical accounts. No reconciliations were provided by Management for the variances.

In the circumstances, the accuracy, completeness and regularity of the respective balances and the financial statements could not be confirmed.

549. Unconfirmed County Own-Generated Receipts

The statement of receipts and payments reflects County own-generated receipts totalling to Kshs.141,267,030. However, audit of records on the land rates receipts included in the balance revealed the following anomalies:

549.1 Land Rates and Plot Rents

Management did not maintain an updated records on all land owners in the County and the valuation rolls applied in collecting land rates were old having been prepared by local authorities that became defunct in 2013. Further, an inventory or register showing kiosk owners, plot allottees and individuals granted Temporary Occupation Licenses (TOL) was not provided for audit.

In addition, the summary of individual receipts issued to the land rent payees and revenue control sheets used in accounting for the revenue and the respective bank deposit slips were not provided for audit.

549.2 House Rent Receipts

Examination of rent collection records indicated that the County Executive inherited residential houses from the Ministry of Health and other devolved units previously managed by the National Government. The houses were located at Chebiemet Sub-County Hospital and in Iten Municipality and were occupied by the County Government's employees in the year under review.

However, Management did not maintain a register on the number and cadre of staff housed and rent paid by each tenant. Further, there were no records confirming that rent payment deductions made on the salaries of the tenants were remitted to the County Revenue Fund Account.

In the circumstances, the accuracy and completeness of the County owned generated receipts of Kshs.141,267030 could not be confirmed.

550. Proceeds of Domestic and Foreign Grants after Year End

The statement of receipts and payments reflects proceeds of domestic and foreign grants totalling to Kshs.522,542,496. World Bank grant receipts totalling to Kshs.31,892,642 include receipts totalling to Kshs.15,815,034.75 received after the end of the financial year. Similarly, conditional grant receipts totalling to Kshs.49,600,541 for the Kenya Urban Support Programme include receipts totalling to Kshs.24,028,387 received after the end of the financial year.

In the circumstances, the cut off, accuracy, completeness of domestic and foreign grants totalling to Kshs.522,542,496 could not be confirmed.

551. Inaccuracies in the Cash and Cash Equivalents

The statement of financial position reflects cash balances of Kshs.812,977,815 as disclosed in Note 21(A) to the financial statements. However, the IFMIS bank reconciliation statements in Annex 9 to the financial statements reflects unexplained variances in respect of twelve (12) Central Bank of Kenya cash accounts amounting to Kshs.1,746,101,741.

In addition, IFMIS bank reconciliation statements for three (3) bank accounts maintained at the Central Bank of Kenya (CBK) and which were indicated to have balances totalling to Kshs.270,004,973 as at 30 June, 2021 were not reflected in the Annex.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.812,977,815 could not be confirmed.

552. Inaccuracies in the Acquisition of Assets Balances

552.1 Non-Current Assets Costs

The summary of non-current asset register reflected in Annex 6 to the financial statements reflects historical costs of fixed assets carried forward totalling to Kshs.4,769,545,340 as at 30 June, 2021. The balance includes assets costing Kshs.879,828,665 added during the year under review. However, verification of the asset registers and other records revealed that the later balance included non-current asset costs such as night-out allowances and other expenses totalling to Kshs.12,234,628. Further the balance carried forward totalling to Kshs.4,768,039,520 excludes non-current assets totalling to Kshs.28,476,670 acquired during the year under review and as reported in the previous year, the assets exclude fixed assets with a historical cost of Kshs.568,889,166 denoted as property of defunct local authorities. Management indicated that the existence and valuation of the assets had not been finalized.

552.2 Lack of Fixed Assets Register

Examination of asset balances revealed that Management did not maintain a register of land and buildings with details on the parcels of land owned by the County Executive and the terms under which these were held. The missing information included conveyance, address, area, dates of acquisition, disposal or major change in use, capital expenditure or leasehold terms, among other details. Further, the summary of non-current assets register reflects assets acquired by the County Executive which includes land, building and structuring totalling to Kshs.127,775,934, and Kshs.1,398,343,356, respectively. In addition, the register reflects additions for land amounting to Kshs.311,440,000 and additions to buildings amounting to Kshs.192,138,277 made in the year under review denoted as assets owned by defunct local authorities. However, the respective ownership documents were not provided for audit and as a result ownership of the assets by the County Executive could not be confirmed.

In the circumstances, the existence, accuracy, valuation, and completeness of non-current assets totalling to Kshs.4,769,545,340 reflected in the register could not be confirmed.

Other Matter

553. Budgetary Control and Performance

The summary statement of appropriation reflects an approved budget for the year under review totalling to Kshs.5,951,738,488 against actual receipts totalling to Kshs.4,981,056,085 resulting in a shortfall of revenue totalling to Kshs.970,682,403 or 18% of the approved budget. Similarly, out of the approved expenditure budget totalling to Kshs.5,951,738,488, the County Executive spent Kshs.4,766,343,635 resulting in under-expenditure of Kshs.1,185,394,855 or 20% of the budget.

The revenue shortfall and under-expenditure implies that some activities and projects in the annual work plan may not have been implemented by the County Executive. This may have in turn constrained delivery of services to the residents of Elgeyo/Marakwet.

554. Under-Absorption of Grants

Note 2 to the financial statements indicates that at the close of the previous financial year ended 30 June, 2020 the County Executive had unutilized domestic and foreign grants totalling to Kshs.432,523,171. Receipts during the year under review totalled Kshs.646,417,255 and therefore total funds available for the year amounted to Kshs.1,078,940,426. The unutilized balance amounted to Kshs.673,579,016 at the end of the year under review.

Failure to spend grant balance totalling to Kshs.673,579,016 may have resulted in delay in implementation of the respective budgeted programmes and activities.

555. Prior Year Issues

The audit report for the year ended 30 June, 2020 highlighted several unsatisfactory matters relating to balances reflected in the financial statements, lawfulness and effectiveness in use of resources and internal control. Note 7.11 on other important disclosures in the financial statements for the year under review indicates that the issues had not been resolved as at 30 June, 2021. The status of the issues will be confirmed upon their deliberation by the Legislature.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

556. Non-Compliance with the One Third of Basic Salary Rule

Examination of the Integrated Personnel and Payroll Database (IPPD) payroll revealed that monthly deductions of one hundered and ninety-seven (197) employees were beyond one-third of the basic pay contrary to the provisions of Section 19(3) of the Employment Act Cap, 2007. This exposes the staff to the risk of pecuniary embarrassment.

In the circumstances, Management was in breach of the law.

557. Late Remittance of Statutory Deductions

Records on remittance of statutory deductions indicated that in the year under review, the County Executive delayed in remitting statutory deductions totalling to Kshs.5,857,930 owed to the Kenya Revenue Authority (KRA), contrary to Section 19(4) of Employment Act, 2007. Other records on employee costs indicated that penalties totalling to Kshs.5,857,930 were paid for delay in payment of personnel income tax and social security benefits. Had the dues been paid promptly, the wasteful expenditure would not have been incurred.

Further, the records indicated that Management processed tax and other statutory deductions totalling to Kshs.7,280,603 manually instead of using the prescribed internet banking platform.

In the circumstances, Management was in breach of the law.

558. Manual Processing of Personnel Emoluments

Examination of expenditure records on personnel emoluments indicated that payments totalling Kshs.52,545,931 were processed and paid manually contrary to Section 1.5.1 of the Financial Accounting Recording, and Reporting Manual which requires each County Government Department to use the Integrated Personnel and Payroll Database (IPPD) to maintain data and information on each of its employees and issue each one of them with a unique payroll number from the system upon appointment.

559. Non-Compliance with the Law on Fiscal Responsibility – Wage Bill

Review of the County Executive budget for the year ended 30 June, 2021 indicated that budgeted expenditure on compensation of employees amounted to Kshs.2,310,990,012 or 39% of the budgeted revenue totalling to Kshs.5,951,738,488. Actual expenditure on the item was Kshs.2,278,660,160 equivalent to 46% of actual revenue. Therefore, the budgeted and actual expenditure was in excess of the threshold of 35% prescribed in Regulation 25(1b) of the Public Finance Management Act (County Government) Regulations, 2015.

560. Non-compliance with the Law on Staff Ethnic Composition

Examination of the June, 2021 payroll indicated that out of one thousand seven hundred and eight (1,708) permanent staff of the County Executive, one thousand five hundred and ninety eight (1,598) or 94% were from one ethnic community. This was contrary to Article 232 (1) (h) of the Constitution of Kenya, 2010 and Section 7(1) of the National Cohesion Act, 2008 which requires public entities to seek to reflect the diversity of the people of Kenya in employment of staff.

In the circumstances, Management was in breach of the law.

561. Failure to Establish the County Emergency Fund

The County Executive had not established an Emergency Fund for the County. In the absence of the Emergency Fund, the County Executive may not be adequately prepared to alleviate the effects of emergencies that may occur in the County. This was contrary to Section 110 of the Public Finance Management Act, 2012.

In the circumstances, Management was in breach of the law.

562. Delay in Implementation of Projects

The contract for the construction of Iten Disaster Management Centre, improvement of drainage and walkways, supply and delivery of refuse collection compactor truck, supply and delivery of fabricated skip containers, supply and installation of fabricated litter bins at Iten Municipality valued at Kshs.84,924,410 was signed on 22 February, 2021 for implementation in one hundred and eighty (180) days ending 21 August, 2021.

As at the time of the audit, two hundred and seventy (270) days or 150% of the contract period had lapsed while work performance was at 65%. The County Executive had approved the extension of the contract period by one hundred and twenty (120) days which translated to a total of three hundred (300) project implementation days.

In the circumstances, the delay in its completion has denied the County's residents the services expected of the project.

563. Grants to Municipality of Iten

Examination of Kenya Urban Support Programme records indicated that remittances totalling to Kshs.49,600,541 were made to the Municipality of Iten in the year under review. However, Management did not submit financial statements of the Municipality for the year to the Auditor-General for audit as required under Section 46 of the Urban Areas and Cities Act, 2011.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

564. Lack of Operating Manuals

Management had not developed financial manuals, policies and procedures to guide key processes and controls for the management of revenue, assets and expenditure. The manuals and polices would have prescribed roles and responsibilities in County operations and provided for segregation of duties and other controls.

In the circumstances, guidance and control on management of revenue, assets and expenditures of the County Executive may be inadequate.

565. Lack of of Oversight

Internal audit reviews were conducted in the year under review in spite of the Internal Audit Directorate having eight (8) members staff in position. In addition, there was no Audit Committee to provide assurance on the integrity of the County Executive's financial information, its system of governance, risk management and internal control, as well as legal and ethical conduct of Management and employees.

In the circumstances, internal control, risk management and overall governance may not have been properly established in the County Executive.

COUNTY EXECUTIVE OF NANDI - NO.29

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

566. Inaccuracies in the Financial Statements

566.1 Differences Between Financial Statements and Integrated Financial Management Information System (IFMIS) Reports

The statement of receipts and payments reflects total receipts and payments amount of Kshs.6,940,051,975 and Kshs.7,006,791,068, respectively which varies from the IFMIS reports amounts of Kshs.4,814,701,634 and Kshs.6,251,755,661, respectively resulting to an unexplained variance amounting to Kshs.2,125,350,341 and Kshs.755,035,407, respectively.

Further, the statement of assets and liabilities reflects financial assets, financial liabilities and net financial position balances of Kshs.669,568,690, Kshs.299,207,297 and Kshs.370,361,393, respectively which varies with the IFMIS report balances of Kshs.6,111,745,045, Kshs.38,426,850,714 and negative Kshs.32,314,960,868, respectively resulting to an unexplained variance amounting to negative Kshs.5,442,176,355, negative Kshs.38,127,643,417 and Kshs.32,685,322,261, respectively.

In addition, the financial statements reflect receipts (nutrition international and business perimits), payments (transfer to NARIGP and transfer to other Government Entities) and bank balances of Kshs.57,173,287, Kshs.1,069,300,969 and Kshs.668,789,195, respectively which varies with the supporting schedules amounts and balance of Kshs.63,953,397, Kshs.1,064,402,332 and Kshs.373,434,816, respectively resulting to an unexplained variances amounting to negative Kshs.6,780,110, Kshs.4,898,637 and Kshs.295,354,379, respectively.

No satisfactory explanations or reconciliations has been provided for the above variances.

566.2 Variance Between the Summary Statement of Appropriation - Recurrent and Development

The summary statement of appropriation - recurrent and development combined reflects exchequer releases actual amount of Kshs.5,808,851,100 while the statement of receipts and payments reflects an amount of Kshs.6,455,271,229 resulting to an unexplained variance of Kshs.646,420,129.

Further, the statement of appropriation – recurrent and development combined reflects total actual receipts and surplus of Kshs.7,377,152,462, and Kshs.370,361,393, respectively which vary with Kshs.6,940,051,975 and Kshs.(66,739,093), respectively

reflected in the statement of receipts and payments. This results to an unexplained variance of Kshs.437,100,487 and Kshs.437,100,486, respectively.

566.3 Variances in Transfers to Other Government Agencies

The statement of receipts and payments reflects transfers to other Government Entities amount of Kshs.780,723,986 which includes transfers to Nandi County Assembly amount of Kshs.662,476,444 as disclosed in Note 14 to the financial statements. However, Annex 7 on inter-entity transfers shows an amount of Kshs.666,356,121 resulting to an unexplained variance of Kshs.4,108,477.

566.4 Variance Between the Statement of Cash Flows and IFMIS Generated Bank Reconciliations Statements

The statement of cash flows reflects cash and cash equivalents balance of Kshs.370,361,392, while the statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.668,818,690, resulting to an unexplained variance of Kshs.298,457,298. In addition, IFMIS generated bank reconciliation statements have not been attached to the financial statements.

566.5 Payments Made after Year End

The statement of receipts and payments for the year ended 30 June, 2021 reflects total payments amounting to Kshs.7,006,791,068 which includes payments of Kshs.626,285,726 which were made after 30 June, 2021.

In the circumstances, the cut off, accuracy and completeness of the financial statements for the year ended 30 June, 2021 could not be confirmed.

567. Lack of Ownership Documents

Annex 6 to the financial statements - summary of fixed assets register reflects historical cost carried forward balance of Kshs.7,912,242,566 which includes land, buildings and structures and transport equipment of Kshs.541,127,600, Kshs.3,649,640,834 and Kshs.470,957,883, respectively. However, ownership documents were not provided for audit.

In the circumstances, the ownership of fixed assets with historical cost balance of Kshs.7,912,242,566 could not be confirmed.

Other Matter

568. Under Collection of Own Generated Receipts

The County Executive had budgeted to collect Kshs.405,408,260 as own generated receipts but realized Kshs.278,408,973 resulting to under collection of Kshs.126,999,287 or 69%, hence the County failed to meet the target. Further, a review of the County revenue collection systems for the financial year of 2020-2021 revealed that the County

Executive did not purchase receipt books (single business permit and public health) from government printers but were printing revenue collection books from private enterprise contrary to Section 117 (1)(a) of the Public Finance Management Act, 2012 (County Governments). It was therefore, not possible to determine whether all the revenue collected was accounted for.

569. Late Exchequer Releases

The statement of receipts and payments reflects exchequer releases amount of Kshs.6,455,271,229 which includes the County's equitable share of national income amounting to Kshs.5,808,851,100 and donor funds amounting to Kshs.646,420,129 as disclosed in Note 1(c) to the financial statements. However, exchequer releases totalling Kshs.1,363,956,750 were received on 23 June, 2021, 30 June, 2021 and 2 July, 2021, out of which an amount of Kshs.454,652,250 was transferred into County Revenue Fund account from the National Treasury on 2 July, 2021, after the end of the financial year.

The delayed remittance of the budgeted funds from The National Treasury contravened Section 17(6) of the Public Finance Management Act, 2012.

570. Unresolved Prior Year Matters

There were issues raised in the audit report for 2019/2020 financial year of which no report or recommendations from the County Management and oversight bodies were submitted for audit and clearance. Further, the issues remain unresolved contrary to Section 149 (2) (l) of the Public Finance Management Act, 2012 which require accounting officers designated for county government entities to try to resolve any issues resulting from an audit that remain outstanding.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

571. County Own Generated Receipts

571.1 Kiborgok Tea Proceeds

The statement of receipts and payments reflects total receipts of Kshs.7,001,791,069 for the year ended 30 June, 2021 which includes County own generated receipts of Kshs.278,408,973 as disclosed in Note 9 to the financial statements. Included in the County own generated receipts is revenue totaling Kshs.10,550,386 from Kiborgok tea proceeds.

However, as previously reported, verification of the daily cash collections, revenue schedule from Chebut Tea Factory, County Revenue Fund account, contract agreement between County Government of Nandi and Chebut Tea Factory signed on 2 February, 2018 and Kaimosi ATC revealed the following:

(i) Section 4.1 of the contract agreement states that it is the farmer (County) which should enter into an agreement with the pluckers and not the agency.

(ii) The rates being offered by Chebut Tea firm, is being decided by its directors and not according to the prevailing market rates which may lead to lose of funds.

(iii) The County has no staff to monitor the kilos being collected, therefore, the County may lose funds.

(iv) The County has no records showing the kilos picked in the entire financial year which may lead to lose of funds.

In the circumstances, effective management of public resources could not be confirmed.

571.2 Irreglarities in Liquor Licensing Fees

During the year under review, an amount of Kshs.11,780,110 was received in respect of Liquor Licensing Fees. However, the following observations were made;

(i) Receipts for the Alcoholic Drinks Control Fund were paid into the County Revenue Fund and not reallocated for purposes of the Fund contrary to Section (5) of the Nandi County Alcoholic Drinks Control Act, 2014 which states 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 reallocated for the purposes of the Fund.

(ii) Financial statements were not prepared and transmitted to the Auditor-General contrary to Section 7(3)(d) of the Nandi County Alcoholic Drinks Control Act, 2014 which states that the Director shall prepare, sign and transmit through the executive member to the Auditor-General in respect of each financial year and within three (3) months after the end thereof, a statement of accounts relating to the Fund in accordance with the Public Audit Act, 2015 and in such details as the County treasury may from time to time direct.

(iii) Successful applicants for licenses were not gazette as required under Section 12 (7) of the Nandi County Alcoholic Drinks Control Act, 2014.

In the circumstances, Management was in breach of the law.

572. Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

The statement of receipts and payments for County Executive reflects compensation of employees' amount of Kshs.3,575,932,560 which represents 52% of the total revenue for the year of Kshs.6,940,051,975 (Net of Returned CRF issues) thereby exceeding the recommended percentage of 35% by 17%. This was contrary to Section 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015. No

explanation has been provided by Management for the failure to adhere to the legal threshold on personnel emoluments expenditure.

Further, Nandi County Public Service Board recruited seventy-five (75) new staff during the year under review. However, the County Executive of Nandi approved Staff Establishment was not provided for audit to indicate the vacancies that were filled contrary to part B.5(2) of the County Human Resources Manual 2013.

In the circumstances, Management was in breach of the law.

573. Salaries Processing Outside Integrated Personnel and Payroll Database (IPPD)

The statement of receipts and payments reflects compensation of employees' amount of Kshs.3,575,932,560 as disclosed in Note 11 to the financial statements. However, a review of the payroll data revealed that salaries totalling to Kshs.175,286,645 was processed and paid outside IPPD contrary to IPPD manual and regulations.

In the circumstances, Management was in breach of the law.

574. Unexplained Payment of Arrears

Analysis of IPPD payrolls for the 2020/2021 financial year reflected a total of two hundred and three (203) employees were paid arrears in various months totalling to Kshs.10,224,205. Although Management explained that the arrears paid was as a result of IPPD system not automatically picking annual increment to some staff which therefore necessitated payment of arrears, reinstatement of some staff after interdiction, promotion arrears to officers in the Department of Health and Sanitation and arrears arising from the accumulated acting allowances, a detailed analysis of the two hundred and three (203) staff paid, amount and reason has not been provided.

In the circumstances, the propriety of the expenditure totalling to Kshs.10,224,205 could not be confirmed.

575. Non-Compliance with the One Third of Basic Salary Rule

Analysis of IPPD payroll revealed employees who had committed their salaries beyond the one third of their basic salary. Over-commitment of salary may lead to pecuniary embarrassment of the public service contrary to the provisions of Section 19(3) of the Employment Act, 2007.

In the circumstances, Management was in breach of the law

576. Non-Compliance with Law on Staff Ethnic Composition

Audit examination of the payroll for the month of June 2021, revealed that Nandi County Executive had five thousand and ninety-five (5,095) employees, out of whom four

thousand eight hundred and fifty-one (4,851) or 95% were from the dominant community and two hundred and forty-four (244) or 5% from other communities.

This is Contrary to Articles 232(1) (g), (h) and (i) of the Constitution of Kenya, 2010 and Sections 7(1) and (2) of the National Cohesion and Integration Act, 2008 that requires all public establishments to seek to represent the diversity of the people of Kenya in employment of staff and that no public establishment shall have more than one third of its establishment from the same ethnic community.

In the circumstances, Management was in breach of the law.

577. Acquisition of Assets

The statement of receipts and payments reflects acquisition of assets amount of Kshs.1,178,933,060, which includes construction of buildings amount of Kshs.352,342,693 as disclosed in Note 17 to the financial statements. However, the following unsatisfactory matters were noted:

577.1 Irregularities in Projects Management

An amount of Kshs.70,000,000 was paid to a firm towards proposed construction of new hospital with mother and baby unit at Kapsabet County Referral Hospital.The contract, was signed on 17 April, 2019, at a contract price of Kshs.409,813,441 for a duration of two (2) years, two months and two weeks. However, the following observations were made;

i. The procurement records revealed that the lowest evaluated bidder quoted an amount of Kshs.409,813,441 against engineers estimate of Kshs.370,000,000. In the professional opinion issued by the Procurement officer, the office advised the department to negotiate with the successful firm to lower the price. However, no evidence was provided to show that any negotiation took place.

ii. The signed bill of quantities for the above construction revealed that one item was repeated twice leading to possible double payment by end of the contract period. Section on Location of site part C under, “Clearing away”: state that, the contractor shall remove all temporary works, rubbish, and surplus materials from site as they accumulate and upon completion of the works, remove and clear away all plant, equipment, rubbish unused materials and stains and leave in a clean and tidy state to the reasonable satisfaction of the project manager at an amount of Kshs.500,000. Section f on provisional works under Removal of Rubbish etc. state, remove all rubbish and debris from the building and site as it accumulates and at the completion of the works and remove all plants, scaffolding and unused materials at completion at Kshs.500,000. The engineer’s certificate and payment voucher show that the first item was paid Kshs.500,000 and the second item paid Kshs.250,000. The second payment of Kshs.250,000 has resulted into double payment for the same work.

iii. The bill of quantities and inspection certificate issued for payment revealed that performance bond of Kshs.5,000,000 was included as preliminaries in the bill of quantities and part payment of Kshs.3,000,000 paid vide the payment voucher and certificate. This is an irregularity since performance bond does not form part of payment made by the client to the contractor.

iv. The bill of quantities and the certificate used to make payments revealed that a total of Kshs.5,000,000 was provided for and paid to the contractor for insurance. However, no insurance policy document or certificate was provided for audit verification contrary to bill of quantities under preliminary section for insurance which states that the contractor shall insure as required in clause 30 of the condition of contract and no payment on account of the work executed will be made to the contractor until he has satisfied the Project Manager either by production of insurance policy or and insurance certificate. This is also contrary to clause J of the contract agreement between the client and contractor signed on 17 April, 2019 which states that without prejudice to his liability to indemnify the Government under clause 1 above, the contractor shall maintain and shall cause any sub-contractor to maintain such insurance as are necessary to cover the liability of the contractor.

v. The contractor was given an order to commence work vide letter dated 20 May, 2018 and signed by the Chief Officer Health and Sanitation. However, physical verification conducted on the project in the month of February, 2022 revealed that the project was still far from completion. Although the structural work up to roofing level has been completed, partitioning, fixing of windows, doors, stairs, plastering and others had not been done seven (7) months after the agreed project completion timeline.

577.2 Irregularities in Restoration, Renovation and Construction of Projects

The Management entered into a contract with a Company on 12 June, 2019 for restoration, renovation and construction of Jean Marie Seroney house and Tomb. The contract price was Kshs.2,954,687 for a period of one year.

The project verification was conducted in the month of November, 2021 and the following observations were noted;

i. The Tomb as per bill of quantities was supposed to have rainwater items like gutter, rainwater downpipe and extra horse shoe bend but they were not done.

ii. The Tomb was supposed to have granite tiles and skirting but ordinary tiles were used.

iii. The Mausoleum and Tomb were located in Kolelach Primary School compound. After the renovation works, the house was occupied by students for their studies. However, the use of the renovated building as a classroom does not meet the objectives of the project.

Although Management explained that the Tomb did not have rainwater items and ordinary tiles were used instead of the granite tiles as per the bills of qualntities because of site instruction from the project manager, the site instructions was not provided for audit. In addition, the Management explained that the project is part of the Jean Marie Seroney Leadership Centre which encompasses other projects from other sectors and departments including, ECDE, Social Hall, Health Centre and Vocational Training Centre and that the pupils were using the building temporarily as they wait for the completion of the ECDE block by the National Government Constituencies Development Fund (NG-CDF).

577.3 Poor Project Management

The acquisition of assets includes purchase of specialized plant, equipment and machinery amount of Kshs.61,965,947. Review of records revealed payments totalling to Kshs.46,000,000 made to a bank against two letters of credit for payment to a contractor as 3rd instalment as per section 8(i) (ii) of the contract signed on 14 June, 2019 for design, supply, delivery, installation and commissioning of milk processing equipment of Nandi Co-operative Creameries Milk Processing Plant at Kabiyet.

However, a site visit in the month of December, 2021 revealed the following:

i. The supply, delivery and installation of the milk processing equipment had already been done before the main builder's works were completed and the equipment delivered continue to lie idle over a long period of time.

ii. The equipment is also susceptible to wear and tear and theft as the main building is still incomplete, perimeter fence is still under construction.

iii. The quality, efficiency and performance of the machines delivered could not be confirmed as inspection reports were not provided and the machines had not been put into use.

iv. Documents to confirm instructions to the banks and transfer documents to the supplier were not provided.

In the circumstances, it was not possible to confirm whether the amount of Kshs.105,000,000 incurred towards the project was a proper charge of public funds.

577.4 Stalled Project on Construction of Governor's Office

As reported in the previous year, the County Executive engaged a contractor to build the County Governor's Office at a cost of Kshs.103,383,420. Thereafter, the contract was varied to accommodate an additional floor at a cost of Kshs.21,191,200 equivalent to 20.5% of the original contract price.

Review of the progress on the project revealed that payments totalling to Kshs.97,685,287 had been made to the contractor in 2020/2021 financial year. However, as at the time of the audit in December, 2021, the contractor was on site and the project was ongoing.

In the circumstances, no value for money has been obtained on payments totalling to Kshs.97,685,287 made to the contractor.

578. Failure to Submit Financial Statements of Municipality of Kapsabet

During the year under review, the County Executive Management did not submit financial statements of Municipality of Kapsabet for the year ended 30 June, 2021 to the Auditor-General as required under Section 46 of the Urban Areas and Cities Act, 2011.

In the circumstances, Management was in breach of the law.

579. Unauthorized Budget Allocation to the County Assembly

During the year, the County Assembly of Nandi had an approved budget of Kshs.666,356,121 which was equivalent to 10% of the total revenue of the County Government of Kshs.6,931,004,103. This was contrary to Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015, which states that the approved expenditure of a County Assembly shall not exceed seven per cent of the total revenue of the county government or twice the personnel emoluments of that County Assembly, whichever is lower.

In the circumstances, Management was in breach of the law.

580. Accumulation of Pending Bills

Annex 2 to the financial statements reflects pending accounts payables of Kshs.773,940,752. Accumulation of pending bills is contrary to The National Treasury Circular Ref AG 3/101/75 which requires Accounting Officers to establish effective financial controls and maintain financial discipline for efficient use of resources and regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which requires that debt service payments shall be a first charge on the County Revenue Fund so that the County does not default on debt obligations.

In the circumstances, Management was in breach of the law.

581. Incomplete and Stalled Projects

Physical verification conducted during the month of December, 2021 revealed that during the year under audit, eleven (11) projects totalling to Kshs.30,737,483 were verified, out of which seven (7) projects were completed, one (1) incomplete, one (1) stalled and two (2) were still ongoing.

In the circumstances, the value for money on the projects could not be confirmed.

582. Overdrawn Bank Account

Examination of available records revealed that Nandi County Executive Salary account had a debit balance of Kshs.(43,233,343) having been overdrawn. This was contrary to Regulation 82(7) of the Public Finance Management (County Governments) Regulations, 2015 which states that no official County Government bank account shall be overdrawn, nor shall any advance or loan be obtained from a bank account for official purposes beyond the limit authorized by the County Treasury in line with Section 119(4) of the Public Finance Management Act, 2012.

Further, Regulation 82(8) of Public Finance Management (County Governments) Regulations, 2015 states that the authority in paragraph (7) shall be conveyed in writing to the responsible Accounting Officer and copied to the Auditor-General. The authority copied to Auditor-General was not provided.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

583. Lack of Risk Management Policy and Disaster Recovery Plan

The County Executive did not have in place a risk management policy and there were no formal risk assessments performed during the year under review.

In addition, no Internal Audit Review and Audit Committee assurance on the integrity of the entity's financial information, its system of governance, risk and internal controls, and the legal and ethical conduct of management and employees. There was also no audit committee's evaluation of the adequacy of the control environment to provide reasonable assurance that the systems of internal control are of a high standard and functioning as intended.

Further, no disaster recovery plan was in place to mitigate against loss of data and information.

In the circumstances, existence of effective risk management and governance could not be confirmed.

COUNTY EXECUTIVE OF BARINGO - NO.30

REPORT ON THE FINANCIAL STATEMENT

Basis for Adverse Opinion

584. Inaccuracies in the Financial Statements

584.1 Variance between Financial Statements and Integrated Financial Management Information System Reports

The financial statements reflect balances of Kshs.7,599,928,673 whereas the Integrated Financial Management Information Systems (IFMIS) reports reflects balance of Kshs.6,807,830,867 on comparable basis resulting to an unexplained variance amounting to Kshs.792,097,806.

584.2 Variance between Financial Statements and Supporting Schedules

The financial statements presented for audit reflects items with an amount of Kshs.1,164,150,993 which differs with the ledger schedules submitted for review amount of Kshs.1,193,896,965 resulting to an unexplained variance amounting to Kshs.29,745,972.

584.3 Inaccurate Statement of Cash Flows

The statement of cash flows reflects cash and cash equivalents at end of the year amounting to Kshs.2,216,347,098 which differs with cash and cash equivalents balance of Kshs.2,285,478,613 shown in the statement of assets and liabilities resulting to an unreconciled variance of Kshs.69,131,515.

Further, the statement of cash flows reflects nil balance for net change in accounts receivables and payables while the statement of assets and liabilities reflects net increase in accounts receivables and accounts payables amounting to Kshs.1,647,196 and Kshs.1,798,117, respectively resulting to net cash flow of Kshs.150,921.

584.4 Variance Between Statement of Appropriation - Recurrent and Development Combined and Budget Execution by Programmes and Sub-Programmes

The summary statement of appropriation - recurrent and development combined reflects budgeted and actual expenditure amounting to Kshs.7,912,538,919 and Kshs.5,383,581,585, respectively while the statement of budget execution by programmes and sub programmes reflects budgeted and actual expenditure amounting to Kshs.7,880,851,694 and Kshs.5,482,818,692, respectively. The variance of Kshs.31,687,225 and Kshs.99,237,107 for budgeted and actual expenditure was not reconciled.

In the circumstances, the accuracy and completeness of the above balances reflected in the financial statements could not be confirmed.

585. Overstated Exchequer Receipts

The statement of receipts and payments reflects exchequer releases amounting to Kshs.5,533,875,900 as disclosed in Note 1 to the financial statements which includes an amount of Kshs.433,130,250 which was received in the County Revenue Fund on 2 July, 2021 thereby overstating the receipts by the same amount.

In the circumstances, the accuracy and completeness of the exchequer releases amounting to Kshs.5,533,875,900 could not be confirmed.

586. Failure to Remit Reimbursement and Refunds to County Revenue Fund

The statement of receipts and payments reflects reimbursements and refunds amounting to Kshs.2,820,000 that were not remitted into the County Revenue Fund account. This is contrary to Regulation 80(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 that requires all revenue receipts by the County Government to be paid into county revenue fund account.

In the circumstances, the accuracy and completeness of the reimbursement and refunds amounting to Kshs.2,820,000 could not be confirmed.

587. County Own Generated Receipts

The statement of receipts and payments reflects County own generated revenue amounting to Kshs.205,203,689 as disclosed in Note 9 to the financial statements. The following unsatisfactory observations were made:

587.1 Unaccounted for Rent Revenue

The receipts include rent amounting to Kshs.13,760,887. Review of rent ledgers provided for audit showed that the County collected an amount of Kshs.780,500 only from housing units with an expected annual revenue amounting to Kshs.5,448,000 resulting to uncollected rent arrears totalling to Kshs.4,667,500.

587.2 Unsupported Sale of Market Establishments Revenue

The statement of receipts and payments reflects County own generated receipts amounting to Kshs.205,203,689 which includes sale of market establishments revenue amounting to Kshs.34,589,059 as disclosed in Note 9 to the financial statements. However, the supporting schedules showing the market name, name of payee, receipt number, amount paid and daily or monthly revenue collections control sheets were not provided for audit.

587.3 Unexplained Variance Revenue

The receipts includes other health and sanitation revenue amounting to Kshs.81,837,356 which differs with the bank statements balance of Kshs.78,717,044. The variance of Kshs.3,120,312 was not reconciled.

In the circumstances, the accuracy and completeness of County own generated recepts amounting to Kshs.205.203,689 could not be confirmed.

588. Unsupported Payment of Staff Salary Arrears

The statement of receipts and payments reflects compensation of employees expenditure amounting to Kshs.2,851,505,899 which includes an amount of Kshs.88,056,666 paid to two thousand three hundred forty-seven (2,347) members of staff for salary arrears. However, review of sampled staff files did not indicate the nature, cause of arrears and the accumulated periods.

In the circumstances, the accuracy and completeness of the compensation of employees' expenditure amounting to Kshs.88,056,666 could not be confirmed.

589. Use of Goods and Services

The statement of receipts and payments reflects use of goods and services expenditure amounting to Kshs.709,114,145 as disclosed in Note 12 to the financial statements. The following matters were noted:

589.1 Irregular Domestic Travel and Subsistence Expenditure

Included in the domestic travel and subsistence o expenditure of Kshs.144,415,505 is an amount of Kshs.14,343,133 paid in respect of reimbursements made to staff for various activities undertaken that were not supported by approvals by the Accounting Officer and source of funds applied.

589.2 Misclassification of Training Expenditure

The payments include training expenses amounting to Kshs.36,206,554 which further includes an amount of Kshs.30,650,642 which was incurred on activities not related to trainings resulting to misclassification of expenditure in the financial statements.

589.3 Unaccounted for Specialized Materials and Services

The expenditure includes an amount of Kshs.153,118,534 incurred on specialised materials and services out of which an amount of Kshs.57,018,328 was spent on supply of human drugs and non-pharmaceuticals to Baringo Referral Hospital on diverse dates. However, the payments were not supported by delivery notes and counter receipt vouchers (S13). In addition, physical verification done on 2 December, 2021 at the

Hospital stores showed that the drugs and non-pharmaceutical were not recorded in the stores.

Further, the expenditure includes a payment amounting to Kshs.3,482,700 made for supply of human drugs on 2 December, 2021 at both facilities showed that several drugs with a total value of Kshs.825,350 were not supplied. No effort was taken by Management to recover the amount from the suppliers.

589.4 Unsupported Fuel, Oil and Lubricants Expenditure

The expenditure includes fuel, oil and lubricants amounting to Kshs.78,395,649. Included in the fuel, oil and lubricants expenditure is an amount of Kshs.30,260,117 which was not supported by detailed order, fuel register, work tickets, list of motor vehicles, local service orders and suppliers statements.

In addition, an amount of Kshs.27,552,221 spent by the department of roads to purchase bulk fuel for machinery and equipment used in road projects was not supported by way of specific roads done and kilometres covered, list of vehicles used, work tickets, equipment daily utilization schedules showing date and hours worked, detailed orders, fuel register and supplier statements. Further, this amount was omitted from the fuel, oil and lubricants expenditure.

589.5 Other Operating Expenses

The expenditure includes an amount of Kshs.74,149,311 incurred on other operating expenses. Included in the other operating expenses is an amount of Kshs.1,056,700 transferred to County Livestock Marketing Council, being 25% of revenue collected from sale of livestock which was not supported by entity registration documents, purpose of the payment and expenditure returns.

Further, other operating expenses includes an amount of Kshs.4,249,600 paid to twelve County Treasury Staff to undertake diverse activities. However, the expenditure was not justifiable since the activities could be done at the County Headquarters. In addition, no imprest warrants were raised to facilitate subsequent accountability of the amounts paid.

589.6 Unsupported Routine Maintenance of Motor Vehicles Expenditure

The expenditure includes an amount of Kshs.32,775,882 incurred on routine maintenance of vehicles and other transport equipment out of which, further includes an amount of Kshs.21,966,214 which was not supported by motor vehicle logbooks showing repairs, driver defects report, pre and post repair inspection reports and receipt of tyres.

In the circumstances, the regularity, accuracy and completeness of use of goods and services expenditure amounting to Kshs.709,114,145 could not be confirmed.

590. Other Grants and Transfers

The statement of receipts and payments reflects other grants and transfers amounting to Kshs.583,665,497 which include an amount of Kshs.531,767,997 in respect of other current transfers grant as disclosed in Note 15 to the financial statements. The following unsatisfactory matters were noted:

590.1 Unsupported Other Current Transfers Grants

The other current transfers grants payments includes an amount of Kshs.143,899,046 that was not supported by grant agreement, bank statement showing opening balances, additions for the year, payments for the year and closing balance at the close of the year together with the expenditure returns.

590.2 Unsupported Transfers

The other current transfers grants includes an amount of Kshs.12,558,503 that was transferred to Baringo Agricultural Sector Development Programme. However, the payment was not supported by grant agreement, expenditure returns, project bank statement showing opening balance, additional funds for the year, payments for the year and closing balance.

590.3 Kenya Climate Smart Agricultural Project

The other current transfers grants includes an amount of Kshs.262,898,166 transferred to Kenya Climate Smart Agricultural Project. However, the transfer was not supported by grabt agreement, expenditure returns, cash book and bank statements. Further, the following were noted:

590.3.1 Unsupported Transfers

Supporting schedule reflected an amount of Kshs.206,350,625 resulting to unspent balance of Kshs.56,547,541 that was omitted from bank balances shown in the financial statements.

Further, the amount of Kshs.206,350,625 includes transfers of Kshs.151,621,248 made to seventeen (17) Community Driven Development Committees (CDDC) accounts and Community-Based Organizations (CBOs) that were not supported by expenditure returns.

590.3.2 Irregular Payment of Subsistence Allowances

The amount transferred to the Project includes subsistence allowances amounting to Kshs.8,734,649 paid to CDDC. However, the payments were not supported by report on the activities undertaken in micro-projects, names of payees, applicable rates and dates of field activity.

590.3.3 Long Outstanding Imprest

The amount transferred to the Project includes imprest amounting to Kshs.6,087,140 advanced to various Officers that was not surrendered and remained outstanding as at 30 June, 2021. No explanation was provided for failure to recover the outstanding imprest from the Officers' salaries.

590.3.4 Unsupported Routine Maintenance of Motor Vehicles Expenditure

The amount transferred to the Project further includes an amount of Kshs.1,529,673 paid out of the Project account in respect of routine maintenance of motor vehicles. However, the payment was not supported by driver defect report, pre and post mechanical inspection report to confirm repairs recommended and undertaken and logbook indicating date of repairs. Further, although items were received vide counter receipt vouchers (S13), they were not taken on charge in the store and no evidence was provided to show they were subsequently issued for fitting into the motor vehicles.

590.3.5 Unsupported Expenditure on Office Furniture and Stationery

The amount transferred to the Project further includes an amount of Kshs.1,477,649 paid out of the Project account for procurement of office furniture and stationery. However, although the items were received vide counter receipt vouchers (S13), there was no evidence that they were taken on charge in the stores and subsequently issued to users vide counter receipt and issue voucher (S11).

590.3.6 Irregular Payment of Subsistence Allowances

The amount transferred to the Project further includes a payment amounting to Kshs.8,874,000 in respect of staff claims for daily subsistence allowances. However, the payments were made without prior approval as required by the KCSAP Finance Manual and were not supported by report on the activities undertaken in micro-projects, the payees job groups and the applicable rates and dates of field activity.

590.4 Unauthorized Expenditure of Danida Grants

The other current transfers grants further includes Danida grants amounting to Kshs.18,859,716 transferred to medical facilities within the County. However, the amount transferred differs with the approved budget amount of Kshs.14,490,000 resulting to an unauthorised expenditure of Kshs.4,369,716.

Further, an amount of Kshs.833,382 disbursed to health facilities in respect of Covid-19 fund was omitted from the Danida grants amounting to Kshs.18,859,716 transferred to medical facilities. In addition, the bank statement for Danida grants showing opening balances, funds added in the year, payments out of the account and the balance as at 30 June, 2021 was not provided for audit.

590.5 Unsupported Other Capital Transfers

The other capital transfers grants amounting to Kshs.7,897,500 issued to vocational training institutes within the County which Kshs.7,897,500 differs with total receipts of Kshs.20,494,894 resulting to unspent funds amounting to Kshs.12,597,394 that were not reflected in the financial statements.

Further, the other capital transfers grants payments were not supported by grant agreement, bank statement showing opening balances, funds added in the year, payments out of the account and the balance as at 30 June, 2021 and expenditure returns from the learning institutions.

In the circumstances, the regularity, accuracy and completeness of other grants and transfers amounting to Kshs.583,665,497 could not be confirmed.

591. Acquisition of Assets

The statement of receipts and payments reflect acquisition of assets expenditure amounting to Kshs.532,649,064 as disclosed in Note 17 to the financial statements. However, the following unsatisfactory observations were made:

591.1 Unsupported Construction of Buildings

The expenditure includes an amount of Kshs.167,303,120 in respect of construction of buildings. However, supporting documents showing specific description of the building, land reference number, name of contractor, contract number, contract value and payments for the year were not provided for audit.

591.2 Unsupported Road Maintenance Levy Fund

The expenditure includes an amount of Kshs.150,938,138 incurred on construction of roads out of which roads valued at Kshs.28,233,100 were financed through Road Maintenance Levy Fund (RMLF). However, the RMLF funded roads expenditure was not supported by approved work plans indicating specific roads and kilometres covered.

Further, the RMLF had an opening balance of Kshs.56,453,258, additional funds received amounted to Kshs.76,409,452 and payments out of the account totalled to Kshs.28,233,100 resulting to unspent balance of Kshs.132,844,710. However, the RMLF bank account showed a closing balance of Kshs.249,055,015 resulting to an unexplained funding amounting to Kshs.116,210,305.

591.3 Unsupported Expenditure for Rehabilitation of Water Projects

The expenditure includes construction and civil works payments amounting to Kshs.142,081,825 out of which an amount of Kshs.23,759,297 was spent on repairs and rehabilitations of water projects, existing water pumps, pipeline works, water tanks, water pans and intake work. However, the works were not supported by pre-inspection and post

inspection reports to confirm the scope of intended works and works done, bills of quantities and inspection and acceptance certificates.

591.4 Purchase of Motor Vehicles and Other Transport Equipment

The expenditure includes purchase of motor vehicles and other transport equipment payments amounting to Kshs.5,340,552. However, ownership documents for supply and delivery of earth moving machinery at a contract sum of Kshs.52,050,000 were not provided for review and the machinery were not recorded in the asset register.

Further, the purchase of motor vehicles and other transport equipment expenditure includes an amount of Kshs.584,000 incurred on purchase of Yamaha motorcycle which was not supported by delivery note, inspection and acceptance committee report and the Logbook. Further, the asset was not recorded in the asset register.

591.5 Unsupported Expenditure for Purchase of Information Communication Technology (ICT) Equipment

The expenditure includes an amount of Kshs.5,601,845 incurred on purchase of ICT equipment which comprise of laptops and smart phones under the Kenya Devolution Support Programme. However, the expenditure was not supported by budget, requisition for procurement, list of beneficiaries and updated assets register.

591.6 Purchase of Certified Seeds, Breeding Stock and Live Animals

591.6.1 Irregular Purchase of Tilapia Fingerlings and Fish Feeds

The expenditure includes purchase of certified seeds, breeding stock and live animals payments amounting to Kshs.31,670,998 out of which an amount of Kshs.3,999,998 was incurred on the purchase of tilapia fingerlings and supplementary fish feeds. However, the expenditure was not supported by receipt and issue vouchers from the stores, approved list of beneficiaries and distribution list to final users.

591.6.2 Irregular Purchase of Seedlings

The expenditure further includes an amount of Kshs.12,700,000 incurred on procurement of seedlings. However, nine thousand (9,000) seedlings valued at Kshs.1,650,000 were not delivered and although 110,100 seeds valued at Kshs.11,050,000 were delivered, there was no evidence that they were taken on charge in the stores and issued to the recipients though the counter receipt and issue voucher (S11).

In addition, the distribution of the seedling was done in the month of August, 2021 whereas the early warning bulletin in March, 2021 from the National Drought Management Authority - Baringo County had forecasted the months of July, August, September, October and November as long dry spell with no rainfall. It is therefore, unclear what guided the decision of the Management.

591.6.3 Unsupported Transfer of Funds to Tugen Hills Farmers' Cooperative Society

The expenditure includes purchase of certified seeds, breeding stock and live animals payments amounting to Kshs.31,670,998. Included in the expenditure 998 is an amount of Kshs.5,500,000 transferred to the Cooperative Society for the construction of coffee mills plant at Katimok Baringo North Sub-county based on a memorandum of understanding between the County Government of Baringo and the Company. However, the development vote bank statement showed a payment amounting to Kshs.7,000,000 resulting to excess transfer of Kshs.1,500,000 that was not explained.

Further, according to the memorandum of understanding, the County Government of Baringo was to finance the supply of electricity bill at a cost of Kshs.1,346,941 rehabilitate one (1) km Coffee mill site access road at a cost of Kshs.1,654,000 and support construction of the mill. However, the expenditure amounting to Kshs.5,500,000 was not supported by expenditure returns.

In the circumstances, the iregularity, accuracy and completeness of acquisition of assets amounting to Kshs.532,649,064 could not be confirmed.

592. Inaccuracies in Cash and Cash Equivalents

The statement of assets and liabilities reflects a bank balance of Kshs.2,280,045,646 as disclosed in Note 21A to the financial statements. However, the balance was not supported by certificates of bank balances, cash book extracts and bank reconciliation statements.

Further, the balance erroneously included an amount of Kshs.24,339,305 in respect of ten (10) revenue collection bank accounts that had not been transferred to County Revenue Fund. In addition, the bank balance excluded an amount of Kshs.134,845,662 held in twenty-one (21) commercial bank accounts.

Further, the balance includes an amount of Kshs.249,055,016 held in Baringo County Road Maintenance Levy Fund Account. However, the balance differs with the Fund account cashbook balance of Kshs.104,611,609 resulting to an unexplained variance of Kshs.144,443,406 and the bank reconciliation statement and the certificate of bank balance as at 30 June, 2021 were not provided for audit.

In the circumstances, the accuracy and completeness of bank balance of Kshs.2,280,045,646 could not be confirmed.

593. Unsupported Cash Balance

The statement of assets and liabilities reflects a cash balance of Kshs.5,432,967 as disclosed in Note 21B to the financial statements. However, the balance was not supported by board of survey reports indicating the respective cashbook balances and imprest warrants.

In the circumstances, the accuracy, completeness and existence of the cash balance of Kshs.5,432,967 could not be confirmed.

594. Unsupported Accounts Receivables

The statement of assets and liabilities reflects accounts receivables balance of Kshs.4,627,990 as disclosed in Note 22 to the financial statements. However, the trial balance reflects a balance of Kshs.362,829,765 from the previous year balance of Kshs.342,843,818 resulting to an increase of accounts receivables balance of Kshs.19,985,947 in the year under review. However, the balance was not supported by imprest warrants or register and approved surrender payment vouchers and the increase differs with the accounts receivables balance of Kshs.4,627,990 shown in the financial statements resulting to an unexplained variance of Kshs.14,460,057.

In addition, included in the outstanding imprest balance of Kshs.4,627,990 is an amount of Kshs.4,300,000 that remained unsurrendered for a period exceeding six months which was in breach of Regulation 93(5) of the Public Financial Management (County Governments) Regulations, 2015.

In the circumstances, the accuracy, completeness and iregularity of the accounts receivables balance of Kshs.4,627,990 could not be confirmed.

595. Unsupported and Unreconciled Accounts Payables

The statement of assets and liabilities reflects accounts payables balance of Kshs.73,759,505 as disclosed in Note 23 to the financial statements. However, the balance was not supported by detailed schedule showing opening balance, additions and payments in the year.

In the circumstances, the accuracy, completeness and existence of the accounts payables balance of Kshs.73,759,505 could not be confirmed.

596. Unsupported and Omitted Pending Accounts Payables

Annex 2 to the financial statements reflects pending accounts payables balance of Kshs.195,267,242 for the year ended 30 June, 2021. However, the balance was not supported by opening balances, additions for the year and payments.

In addition, The National Treasury Circular No.14/2021. Ref. No. IGFR/PB/01/J/ (169) of 28 October, 2021 indicated that the County Executive had failed to remit pension deductions amounting to Kshs.168,962,015, which were however, omitted from the pending accounts payable balance.

In the circumstances, the accuracy and completeness of the pending accounts payable balance of Kshs.195,267,242 could not be confirmed.

Other Matter

597. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis totalling to Kshs.7,912,538,919 and Kshs.6,318,894,223, respectively, resulting to an underfunding amounting to Kshs.1,593,644,696 or 20% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.7,912,538,919 and Kshs.5,383,581,585 respectively, resulting to under expenditure of Kshs.2,528,957,335 or 32% of the budget.

Further, the statement reflects County own generated receipts budget amounting to Kshs.346,088,720 against actual receipts totalling to Kshs.205,203,689 on comparable basis resulting to under collection of revenue amounting to Kshs.140,885,031 or 41% of the budget.

The under collection and underperformance affected the planned activities and may have impacted negatively on the delivery of services to the residents of Baringo County.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

598. Baringo County Older Persons and Persons with Disabilities Fund

During the year under review, the County transferred an amount of Kshs.1,950,000 to the Baringo County Older Persons and Persons with Disabilities Fund. However, the Fund did not have an approved enabling Act and therefore the transfer of funds was illegal.

In the circumstances, Management was in breach of the law.

599. Unbudgeted Purchase of Office Furniture and Equipment

The statement of receipts and payments reflects acquisition of assets expenditure amounting to Kshs.532,649,064 as disclosed in Note 17 to the financial statements which includes an amount of Kshs.4,256,101 incurred on purchase of office furniture and general equipment out of which items including laptops and computer chairs valued at Kshs.2,221,320 were procured without budgetary provision. This is contrary to Section 53(9) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer who knowingly commences any procurement process without ascertaining whether the good, work or service is budgeted for, commits an offence under this Act.

In the circumstances, Management was in breach of the law.

600. Non-Compliance with the Law on Fiscal Responsibility – Wage Bill

The statements of receipts and payments reflects compensation of employees' expenditure amounting to Kshs.2,851,505,900 as disclosed in Note 11 to financial statements. However, it was observed that the percentage of the expenditure to the County's total receipts amounting to Kshs.6,318,894,223 was forty-five percent (45%) which exceeded the set limit of thirty-five percent (35%) as per Regulation 25(l)(b) of the Public Finance Management (County Governments) Regulatio, 2015.

In the circumstances, Management was in breach of the law.

601. Non-Compliance with the Law on Staff Ethnic Composition

Review of the payroll showed that three thousand eighty (3,080) employees out of the County's three thousand six hundred eighty-six (3,686) employees (or 84%) are from the ethnic community dominant in the County. This was contrary to Section 65(1)(e) of the County Governments Act, 2012.

In the circumstances, Management was in breach of the law.

602. Payments of Salaries Outside the Payroll

The statement of receipts and payments reflects compensation of employees expenditure amounting to Kshs.2,851,505,900 as disclosed in Note 11 to the financial statements which includes salary payments amounting to Kshs.61,484,375 made outside the Integrated Payroll Personnel Database (IPPD) system. This was contrary to the Treasury Circular No.13/2019 dated 28 August, 2019, which states that Integrated Payroll Personnel Database (IPPD) must support the allocation of personnel emoluments and each Ministry, Department and Agency (MDA) will be required to provide this information to support personnel requirements.

In the circumstances, Management was in breach of the law.

603. Non-Recovery of Tax from Employees

Audit of the IPPD payroll showed that Pay As You Earn (PAYE) was not deducted from the salaries of eighty-five (85) officers with gross earning of Kshs.8,164,341 and taxable income of Kshs.8,101,985. No reason was provided for the act of omission by Management contrary to income tax Cap 470.

In the circumstances, Management was in breach of the law.

604. Non-Remittance of Public Service Superannuation Scheme Fund Deduction

Audit of the IPPD payroll showed that the County Government deducted an amount of Kshs.2,755,961 from employees in respect of Public Service Superannuation Scheme together with the employer contribution of Kshs.20,673,219 totalling Kshs.23,429,180 for

the year under review. However, at the time of audit in November, 2021, the amount had not been remitted to the pension scheme Fund contrary to Section 8(c) of the Public Service Superannuation Scheme Act, 2012.

In the circumstances, Management was in breach of the law.

605. Irregular Extension of Contract Periods for Projects

The statement of receipts and payments reflects acquisition of assets expenditure amounting to Kshs.532,649,064 which includes an amount of Kshs.142,081,825 incurred on construction and civil works. Included in the construction and civil works expenditure is an amount of Kshs.18,113,039 paid in respect of eight (8) contracts whose periods were extended without prior recommendation by the evaluation committee or receipt of certificates from the tenderers requesting extension contrary to Section 139(2) of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, Management was in breach of the law.

606. Irregular Recruitment of Staff

The statement of receipts and payments reflects compensation of employees expenditure amounting to Kshs.2,851,505,900 out of which an amount of Kshs.4,687,981 was incurred on salary payments to twenty (20) employees who were engaged on contract during the year under review. However, the payments were not supported by staff establishment report and evidence of the recruitment process. Further, the appointment letters were signed by the County Secretary in breach of Section 63(1) of the County Governments Act, 2012 which gives the County Public Service Board absolute power to make appointments and promotions in respect of the offices in the County Public Service.

In the circumstances, Management was in breach of the law.

607. Excess Transfers to the County Assembly

The statement of receipts and payments reflects transfers to other Government units amounting to Kshs.706,646,979 in respect of transfers to the County Assembly which accounts for eleven percent (11.2%) of the total County revenue amounting to Kshs.6,318,894,223. However, the amount exceeds the seven percent (7%) limit set under Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015 which states that the approved expenditures of a County Assembly shall not exceed seven per cent of the total revenues of the County Government or twice the personnel emoluments of that County Assembly, whichever is lower.

In the circumstances, Management was in breach of the law.

608. Lack of Managed Equipment Service Lease Contract

As reported previously, the County Executive and the Ministry of Health of the National Government in 2015 signed a Memorandum of Understanding (MoU) relating to the

provision of medical equipment and related services, otherwise referred to as the Managed Equipment Services (MES). The medical equipment would be provided to two health facilities in the County, namely, Eldama Ravine Hospital and Baringo Hospital on a seven (7) year lease arrangement.

According to the annual County Allocation of Revenue Act (CARA), in the six (6) years that the MES Programme has been in operation, the County has paid lease rentals amounting to Kshs.751,170,214.

The lease rentals paid by the County are reflected in the CARA as conditional grant for leasing of medical equipment. However, the amount was not remitted to the County Government, but was retained by the Ministry of Health. Further, examination of records showed that the basis of the amount of annual lease rentals could not be determined and the County did not have a register for recording the delivered managed equipment service assets.

In the circumstances, value for money from the Managed Equipment Services (MES) Programme could not be confirmed.

609. Expenditure above the Approved Budget

The statement of receipts and payments reflects use of goods and services payments amounting to Kshs.709,114,145. However, the expenditure includes items with approved budget of Kshs.68,322,978 in respect of various departments against actual expenditure of Kshs.108,809,833 resulting to unauthorised expenditure of Kshs.40,486,856. No evidence was provided to show that the over expenditure amounting to Kshs.40,486,856 was approved by the County Assembly before being incurred.

In the circumstances, Management was in breach of the law.

610. Irregular Contracting of Private Advisory Service Providers

Review of records provided for audit showed that payments amounting to Kshs.12,515,000 were made from the project account to private advisory service providers under the Building Institutional Capacity and Strengthening Service Delivery. However, no evidence was provided to show that the service providers were competitively sourced and the amount of Kshs.12,515,000 was paid in accordance with deliverables spelt in the contract agreements.

In the circumstances, the value for money from the payments could not be confirmed.

611. Delayed Completion of Projects

Note 17 to the financial statements reflects construction and civil works expenditure amounting to Kshs.142,081,825 out of which projects valued at Kshs.39,882,447 remained incomplete as at November, 2021 and the contract period had expired. No explanation was provided for delayed implementation of the projects.

Further, the Project Implementation Status Report was not provided for audit and it was not possible to confirm whether the projects were constructed on public land since no ownership documents were not provided for audit.

In the circumstances, value for money realised from the projects could not be confirmed.

612. Irregular Award of Tenders

612.1 Kewangoi Maize Store

The County Executive engaged a contractor on 16 May, 2016 for construction of Kewangoi maize store at a contract sum of Kshs.3,627,146 but the contractor declined undertaking the works quoting health problems without supporting records. The contract was then awarded to the second lowest bidder on 26 September, 2016 for a contract sum of Kshs.4,389,182. As at October, 2017 the Contractor had been paid a total of Kshs.1,406,700 before the contract was terminated for unclear reasons.

Subsequently, the contract was awarded to the third lowest bidder at a contract sum of Kshs.2,792,370, to commence on 6 February, 2020 and end on 06 April, 2020. At the time of audit in November, 2021, an amount of Kshs.2,012,370 had been paid to the contractor on 19 July, 2021. However, the following anomalies were noted:

i. Section 136(1) of the Public Procurement and Asset Disposal Act, 2015 only allows for tender award to the second lowest bidder if all successful tenderers decline to enter into a written contract in writing. In this case, the first contractor had signed the contract on 16 May, 2016. It was therefore not clear how the contract was awarded to the second lowest bidder.

ii. The second lowest bidder had been disqualified at the preliminary level for not attaching a valid NCA certificate, valid tax compliance, PIN and VAT certificate, registration with Attorney General (AG) chambers, bid security performance bond. It is not clear how the firm was later awarded the contract.

iii. There was no inspection report or interim certificate showing the work done by the second contractor to justify the payment amounting to Kshs.1,406,700.

iv. There was no evaluation of remaining works which would have formed the basis for the terms to re-award the contract to the third lowest contractor.

v. Documents including valid NCA certificate, valid tax compliance certificate, Kenya Revenue Authority Personal Identification Number, VAT certificates and business registration certificate for the third contractor were not provided for audit.

In the circumstances, Management was in breach of the law.

612.2 Kapunyany Borehole

The contract for drilling and capping of Kapunyany Borehole was awarded at a contract sum of Kshs.2,436,800. The agreement was signed on 21 June, 2019 for works to commence on 25 August, 2019 and end on 15 September, 2019, which was later extended to 15 June, 2020. The Contractor was later paid an amount of Kshs.2,142,611 on 23 April, 2021, based on completion certificate dated 16 June, 2020.

A letter from Kenya Revenue Authority (KRA) to the County Executive dated 27 May, 2020, KRA demanded payment of tax due from the contractor amounting to Kshs.6,279,054. However, the County Executive did not pay tax dues from the contractor and therefore did not adhere to KRA demand notice that stated that any moneys due to the taxpayer, should be paid to the VAT and income tax main collection accounts at the Central Bank.

Further, business permit, certificate of incorporation, valid NCA certificate, valid tax compliance certificate and CR12 for the awarded contractor were not provided for audit hence it was not clear how the contractor was awarded the contract.

In the circumstances, the propriety of the expenditure could not be confirmed.

613. Delayed Completion of the Monitoring and Evaluation System

Note 17 to the financial statements reflects purchase of specialised plant, equipment and machinery payments amounting to Kshs.10,328,264 out of which an amount of Kshs.4,000,000 was paid to a firm, as part payment for developing the County Integrated Monitoring and Evaluation Information System (CIMEIS) at a contract price of Kshs.34,979,800. The objective of the project, which commenced on 15 May, 2018 was to monitor and review the progress of projects that are implemented by the County Executive. At the time of audit, an amount of Kshs.10,544,036 had been paid. However, the system was still under development despite the contract period having expired on 15 May, 2021. No explanation was provided by Management to justify the delay in executing the contract.

In the circumstances, value for money was not realised from the incomplete project.

614. Stalled Projects

During the year under review, it was observed that the County Executive had undertaken several new projects which were at various stages of completion while the ones initially started were abandoned. Physical verification carried out on the month of December, 2021 showed that three (3) projects which started in 2015/2016 financial year and with contract sum of Kshs.190,341,736 and total payments made amounting to Kshs.63,227,399 had stalled.

In the circumstances, value for money was not realised from the stalled projects.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

615. Under Collection of Single Business Permit License Fees

The statement of receipts and payments reflects County own generated receipts amounting to Kshs.205,203,689 as disclosed in Note 9 to the financial statements which include business permits receipts amounting to Kshs.37,296,688. Examination of the business register showed that 11,028 businesses are registered under various categories in the County with an expected revenue inflow of Kshs.50,276,300. However, only an amount of Kshs.37,296,688 was realized from the revenue stream resulting to under collection of Kshs.12,662,012 or 25%. It is not clear what measures the County Executive has put in place to improve revenue collection.

In the circumstances, the effectiveness of internal controls in relation to single business permit license fees could not be confirmed.

616. Under-Collection of Land Rates and Rents

Annex 11 to the financial statements reflects plot rate and rent arrears balance of Kshs.144,112, 445 as at 30 June, 2021 (Kshs.130,335,553 as at 30 June, 2020), showing an increase of land rates and rent arrears amounting to Kshs.14,776,892. The balances show that the amount collected in the year was only 11% of the opening balance.

In the circumstances, the existence of effective measures on rates and rent collection could not be confirmed.

617. Lack of Updated Valuation Roll

During the year under review, the County Executive did not have an updated valuation roll which maps out property owners and the amount in annual rates that each should pay. The valuation roll in use was prepared in the year 2009 by the defunct Municipal Council of Kabarnet. This implies that the County did not have an updated valuation roll that considers current economic factors and new eligible property owners to maximise revenue from land rates.

In the circumstances, existence of effective mechanisms for collection of rates could not be confirmed.

COUNTY EXECUTIVE OF LAIKIPIA - NO.31

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

618. Unconfirmed Accounts Payables

The statement of assets and liabilities reflects Accounts Payables (Deposits and Retentions) balance of Kshs.4,908,673 as at 30 June, 2021. However, the County Executive did not provide retention and deposits records indicating amounts received and paid during the year.

In the circumstances, the regularity and accuracy of accounts payables balance of Kshs.4,908,673 could not be confirmed.

619. Loss of Funds - Use of Goods and Services

Note 12 to the financial statements reflects use of goods and services amount of Kshs.873,777,223 which includes insurance costs of Kshs.159,884,853, which further includes an amount of Kshs.7,811,268 paid to an insurance firm in respect of provision of motor vehicle insurance cover for the County Executive motor vehicles for a period effective from January, 2021 to January, 2022. However, in the month of October, 2021, the Contract was cancelled after having paid full contract amount and awarded to another firm at a contract sum of Kshs.7,772,640. This led to a loss of kshs.1,952,817 due to the cancellation.

In the circumstances, the regularity of Kshs.1,952,817 as paid proportion for three (3) months but cancelled without refund could not be confirmed.

Other Matter

620. Long Outstanding Pending Bills- Pending Accounts Payables

Note 1 to Other Important Disclosures in the financial statements reflects pending bills amounting to Kshs.709,664,227 as at 30 June, 2021 (2019/2020 Kshs.645,823,717). Examination of pending bills schedules and ageing analysis revealed that some of the bills have been outstanding for a long period, some dating back to 2016/2017 financial year.

Further, as disclosed in Annex 8 to the financial statements is contingencies liabilities balance of Kshs.226,424,103 whose expected date of payment cannot be estimated since the respective cases are still pending in court.

Failure to settle bills during the year to which they relate distorts financial statements for the year and adversely affects the provisions for the subsequent year which they have to be charged.

621. Prior Year Unresolved Issues

In the report of the previous year, several issues were raised under Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Control, Risk Management and Governance. However, although the Management has indicated that some have been resolved, the matters remained unresolved as the Senate and County Assembly are yet to deliberate on the Report for 2019/2020.

622. Budgetary Control and Performance

622.1 Budget Under Expenditure

The County Executive spent an amount of Kshs.5,865,435,071 against an approved budget of Kshs.7,481,998,086 resulting to an under absorption of Kshs.1,616,563,015 or 22% of the budget. The Management did not provide explanation for the failure to utilize the whole of the approved budget.

The under-expenditures may have adversely affected service delivery and execution of development programmes to the residents of Laikipia County.

622.2 Late Exchequer Release

Note 1 to the financial statements shows total exchequer releases of Kshs.4,407,634,793 out of which an amount of Kshs.1,065,339,000 or 24.2% of the exchequer releases were received during the months of June and July, 2021, an indication of delayed disbursements of funds by The National Treasury.

Late disbursement of exchequer releases by The National Treasury impacted negatively on service delivery to the citizens of Laikipia County.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

623. Non-Compliance with Law on Ethnic Composition

During the year under review, the total number of employees on contractual and permanent and pensionable terms was one thousand five hundred and twenty-two (1522), out of which one thousand one hundred and fifty-six (1156) or 76% were members of the dominant ethnic community. This is contrary to Section 65(e) of the County Governments Act, 2012 which requires the County Governments to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.

In the circumstances, Management was in breach of the law.

624. Non-Compliance with the Law on Fiscal Responsibility – Wage Bill

During the year under review, the County Executive spent an amount of Ksh.2,747,751,301 on compensation of employees representing 44.8% of total receipts of Kshs.6,135,512,463. This is contrary to provisions of Regulation 25(1)(a) and (b) of the Public Finance Management Act (County Governments) Regulations, 2015 which limits the County Executive expenditure on wages and benefits to not more than 35% of the total revenue for the year.

In the circumstances, Management was in breach of the law.

625. Insurance Costs

625.1 Uninsured County Executive Motor Vehicles

Note 12 to the financial statements reflects use of goods and services balance of Kshs.873,777,223 which included insurance costs of Kshs.159,884,853. However, after a review of contract documents provided and physical inspection of motor vehicles, it was noted that the County Executive had one hundred and ten (110) motor vehicles but had only insured seventy-three (73) motor vehicles. Further, four (4) grounded motor vehicles were also included in the insurance cover.

Failure to insure thirty-seven (37) motor vehicles had exposed the County Executive to legal liability in case of an accident.

625.2 Unconfirmed Extension for Provision of Motor Vehicles Insurance Cover

Note 12 to the financial statements reflects use of goods and services amount of Kshs.873,777,223 which includes insurance costs of Kshs.159,884,853. A review of the documents availed for audit revealed that the County Executive paid an insurance firm Kshs.3,182,750 for extension of provision of motor vehicles insurance cover contract for the months of December, 2019 and January, 2020. The previous annual contract for provision of motor vehicles insurance cover contract's sum was Kshs.9,245,502 vide tender no LCG/B051/MVINS/2018/2019. The contract was effective from 1 December, 2018 to 30 November, 2019. However, the breakdown or detailed analysis of how an amount of Kshs.3,182,750 for the extension of insurance cover was arrived at was not provided for audit.

In the circumstances, value for money for the expenditure of Kshs.3,182,750 could not be confirmed.

626. Project Irregularities - Acquisition of Assets

The statement of receipts and payments and as disclosed in Note 17 to the financial statements reflects acquisition of assets amount of Kshs.757,795,488 which includes construction and civil works of Kshs.418,792,980. However, review of the respective documents including payment vouchers, bills of quantities and other supporting documents revealed the following anomalies;

626.1 Drilling of Mahianyu Dispensary Borehole

The construction and civil works includes an amount of Kshs.3,089,752 paid for the drilling of a community borehole at Mahianyu Dispensary. However, physical inspection of the project that was carried out in the month of October, 2021 revealed that despite the borehole having been completed, the project is dormant as the solar power by a firm had not been connected.

In the circumstances, value for money for the Kshs.3,089,752 expenditure could not be ascertained.

626.2 Equipping of KITE Borehole

The construction and civil works includes an amount of Kshs.2,963,916 paid for the equipping of KITE borehole with solar connection as the power source. A physical inspection of the project that was carried out in the month of October, 2021 revealed the following anomalies:

i. The power cable pipe to the pump was broken exposing the electric cable which poses a risk to the pedestrians.

ii. The borehole water output was low as the delivery pipes installed were of size 1 inch which may not carry high volumes of water.

iii. The pump did not have a float switch to regulate the water level and therefore the water would overflow from the tank continuously if the pump is not switched off manually.

iv. The pump was not functioning at the time of inspection.

v. There was a high-rise tank about 600 meters from the pump of 10 cubic meters. However, it is built on a private land measuring 64 meters square. Upon inquiry from the community, people who draw water from the borehole complained that during the public participation, the community advised that the tank should not be erected in a private property.

In the circumstances, value for money for Kshs.2,963,916 expenditure could not be confirmed.

626.3 Grading and Gravelling of Road

The construction and civil works includes an amount of Kshs.3,098,981 paid for the grading and gravelling of Kamau-71 Kwa Ng'ang'a to Gatirima Dam Road at a width of 5.4 meters. Physical verification of the project that was carried out in the month of October, 2021 revealed that the road was done at a width of 3 meters despite having been designed for 5.4 meters as per the bill of quantities. This resulted in the once wide road being reduced to a one-way road where vehicles cannot overtake each other. Most parts of the road had already been washed away making it almost non motorable.

In the circumstances, value for money for Kshs.3,098,981 expenditure could not be confirmed.

626.4 Drilling of Mutamaiyu Primary School Borehole

The construction and civil works includes an amount of Kshs.2,537,496 paid for drilling of borehole at Mutamaiyu Primary School in Rumuruti Ward. However, this project was not included in the County Government of Laikipia Annual Development Plan 2020/2021.

Physical inspection of the project in the month of October, 2021, revealed that the contactor erected one County sign board instead of two as per the bills of quantity. The borehole had serial numbers for well head and well cap as per the bills of quantity. Further, upon inquiry with the teachers of the school, it was noted that the borehole was drilled in the month of April, 2020 but had not been equipped.

In the circumstances, value for money for the Kshs.2,537,496 expenditure could not be ascertained.

626.5 Drilling of Nguu Primary School Borehole

The construction and civil works includes an amount of Kshs.2,706,730 paid for drilling of 250 Meters Nguu Primary School Borehole in Salama Ward. However, this project was not included in the County Executive of Laikipia 2020/2021 Annual Development Plan.

Physical verification of the project carried out in the month of October, 2021 revealed that the borehole had no serial numbers for well head and well cap as per the bills of quantity. Further, upon inquiry with the teachers of the school, it was noted that the borehole was drilled in the month of April, 2020 but had not been equipped.

In the circumstances, value for money for Kshs.2,706,730 expenditure could not be ascertained.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

627. Shortfall in Revenue Collection

During the year under review, the County Executive had targeted to raise revenue amounting to Kshs.1,006,875,000 from local revenue sources. However, the actual amount collected amounted to Kshs.840,396,633 as reported in the statement of receipts and payments, which translates to a shortfall of Kshs.166,478,367 or 17 % of the projected revenue. Failure to achieve revenue targets is an indication of inadequate revenue collection internal control systems and possible revenue leakages which the Management should address.

In the circumstances, existence of effective revenue collection measures could not be confirmed.

628. Lack of a Risk Management Policy

As previously reported, the County Executive Management did not have a risk management policy in place to guide the Management in risk assessment and formulation of risk mitigation strategies.

In the circumstances, it was not possible to confirm whether the internal controls built within the financial and operational systems were functioning as intended during the year under review.

629. Failure to Make Provision for Fire and Burglary Insurance in Financial Year

Note 12 to the financial statements reflects use of goods and services amount of Kshs.873,777,223 which includes insurance costs of Kshs.159,884,853. However, after the County Executive advertised for the provision of fire and burglary insurance and awarded the contract to an insurance firm based on a negotiated price of Kshs.5,600,267, it was noted that the insurance firm was not paid and no policy documents were provided for audit.

In the circumstances, the County Executive could be exposed to loses incase the risks of fire and burglary.

COUNTY EXECUTIVE OF NAKURU - NO.32

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

630. Inaccuracies in Acquisition of Land

As disclosed in Note 17 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.2,926,770,598 in respect of acquisition of assets. Included in the expenditure is an amount of Kshs.28,403,000 relating to acquisition of land. However, Annex 6 – summary of non-current asset register reflects a balance of Kshs.68,889,570 being additions on land during the year resulting to an unreconciled variance of Kshs.40,486,570.

Further, review of records revealed that seven (7) parcels of land were procured in various parts of the County at a cumulative cost of Kshs.57,700,000 whereas the expenditure disclosed in Note 17 as acquisition of land amounts to Kshs.28,403,000 resulting to an unreconciled variance of Kshs.29,297,000.

In addition, ownership documents for the acquired parcels of land were not provided for verification.

In the circumstances, the accuracy, completeness and ownership of the acquisition of land amounting to Kshs.28,403,000 could not be confirmed.

631. Variances Between Financial Statements and Supporting Schedules

Review of balances and amounts disclosed in the financial statements and the supporting Integrated Financial Management Information System (IFMIS) ledger and/or schedules revealed several variances on fourteen (14) components amounting to Kshs.6,131,381,301.

In the circumstances, the completeness and accuracy of balances reflected in the financial statements could not be confirmed.

632. Overstatement of Exchequer Releases

As disclosed in Note 1 to the financial statements, the statement of receipts and payments reflects total receipts balance of Kshs.15,113,593,091. Included in the receipts is an amount of Kshs.10,850,022,832 in respect of exchequer releases out of which an amount of Kshs.890,472,750 was received in July, 2021. This is contrary to Regulation 97(4) of the Public Finance Management (County Governments) Regulations 2015, which states that the actual cash transactions taking place after 30 June shall not be treated as pertaining to the previous financial year even though the accounts for that year may be open for end of year procedures and adjustments.

In the circumstances, the regularity, accuracy and completeness of the exchequer releases balance of Kshs.10,850,022,832 could not be confirmed.

633. County Own Generated Receipts

As disclosed in Note 9 to the financial statements, the statement of receipts and payments reflects receipts amount of Kshs.2,822,949,912 in respect of County own generated revenue. However, the following unsatisfactory matters were noted:

634. Uncollected House Rent

Included in the receipts is an amount of Kshs.14,351,317 in respect of house rent. However, records provided for review revealed uncollected rent arrears amounting to Kshs.439,756,748. In addition, no evidence was provided to show efforts made by the Management to recover the arrears. the basis upon which the rent was charged.

Further, and as previously reported, it was observed that ninety (90) County houses in Molo Sub-county with annual rent revenue of Kshs.741,132 were being managed by National Housing Corporation as a result of Kshs.30,460,177 debt owed to the Corporation by the defunct local authorities. No efforts have been made by the County Government to take charge of these houses and recover the long outstanding rent.

This is contrary to Section (157) (2) of the Public Finance Management Act, 2012 which require the receiver of the County Government revenue ensures that the revenue for which the receiver is responsible is collected or recovered, and accounted for.

In the circumstances, the accuracy, completeness and regularity of house rent balance of Kshs.439,756,748 could not be ascertained.

634.1 Plot Rent Arrears

Similarly, included in the amount of Kshs.2,822,949,912 is an amount of Kshs.401,518,169 received in respect of plot rents. However, records provided indicate that property owners owed the County an amount of Kshs.6,999,290,698 in form of accrued land rates. Management has not provided evidence to indicate effort being made to recover the outstanding amount, which is contrary to Section (157) (2) of the Public Finance Management Act, 2012.

In the circumstances, the accuracy and completeness of plot rent balance of Kshs.401,518,169 could not be ascertained.

634.2 Inaccurate Market and Trade Centre Fees Arrears

Included in the receipts is an amount of Kshs.40,093,432 received in respect of market and trade centres fees. However, records provided for audit reflected outstanding arrears amounting to Kshs.2,848,926 for the year under review. There was no evidence of the measures put in place by Management to enforce collection. The variance between the two sets of record has not been explained or reconciled.

In the circumstances, the accuracy and completeness of market and trade center fees amount of Kshs.40,093,432 could not be ascertained.

634.3 Failure to Maximize Revenue Collection on Vehicle Parking

Included in the receipts is an amount of Kshs.219,378,664 received in respect of vehicle parking fees as disclosed in Note 9 to the financial statements. However, the balance of Kshs.219,378,664 reduced from the previous year balance of Kshs.253,340,376 by Kshs.33,961,712 on a comparable basis. The drop was attributed to non-gazettement of already identified prime parking areas, non-painting and demarcation of all parking bays and non-charging of parking fees in outlying Sub-counties.

In the circumstances, the accuracy and completeness of vehicle parking fees balance of Kshs.219,378,664 could not be confirmed.

635. Irregularities in Compensation of Employees

As disclosed in Note 11 to the financial statement, the statement of receipts and payments reflects compensation of employees' amount of Kshs.5,878,455,127. However, the amount differs with the gross payroll amount of Kshs.5,705,382,888 resulting to an unreconciled or unexplained variance of Kshs.173,072,239.

In the circumstances, the accuracy and completeness of the compensation of employees amounting to Kshs.5,878,455,127 could not be confirmed.

636. Use of Goods and Services

As disclosed in Note 12 to the financial statements, the statement of receipts and payments reflects use of goods and services amount of Kshs.1,952,995,769. However, the following unsatisfactory matters were noted:

636.1 Expenditures Incurred after the Financial Period End

Included in the amount is expenditure amounting to Kshs.691,177,056 incurred after 30 June, 2021. This is contrary to Regulation 97(1) of the Public Finance Management (County Governments) Regulations, 2015, which provides that the accounts of County Government entities to record transactions which take place during the financial year running from 1 July to 30 June.

In the circumstances, the regularity, accuracy and completeness of the use of goods and services amount of Kshs.1,952,995,769 could not be ascertained.

636.2 Unsupported Legal Fees

Disclosed in Note 12 to the financial statements is other operating expenses amount of Kshs.380,335,865. However, included in the expenditure is legal fees amounting to Kshs.98,353,889 that have not been supported by a legal opinion by the County Attorney. Further, the County engaged the litigants for case settlements without legal opinion on whether the County Executive had merited cases or not. The expenditure also includes

an amount of Kshs.7,860,000 incurred on audit of legal cases which was not supported by a final report. In addition, the balance includes an amount of Kshs.5,960,114 incurred on accrued interest due to failure by the County Executive to pay decreed amounts on a timely basis contrary to Regulation 210(1)(i) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, regularity, accuracy and completeness of other operating amount of Kshs.98,353,889 incurred on legal fees could not be ascertained.

637. Other Grants and Payments

As disclosed in Note 15 to the financial statements, the statement of receipts and payments reflects other grants and transfers amount of Kshs.3,041,097,916. However, the following unsatisfactory matters were observed:-

637.1 Unutilized/Idle Roads Maintenance Levy Fund

Included in the expenditure is an amount of Kshs.258,625,985 conditional grants transfers from Kenya Roads Board. However, the balance was not supported by an approved work plans. Further, the Fund had an opening balance of Kshs.390,416,395 and additional transfers of Kshs.258,625,985 were received during the year, totalling to Kshs.649,042,380 against a budget of Kshs.684,422,889 resulting to over budgeting by an amount of Kshs.35,380,509.

In addition, out of the available funding of Kshs.649,042,380, an amount of Kshs.422,334,994 remained unutilized comprising of Kshs.287,082,671 and Kshs.135,252,323 held in the CRF and Road Maintenance Levy Fund Account respectively. The County Executive failed to utilize the roads levy funds and implement projects on a timely basis as provided in the work plan.

In the circumstances, the regularity, accuracy and completeness of conditional grants transfer from Kenya Roads Board balance of Kshs.258,625,985 could not be ascertained.

637.2 Unsupported Other Current Transfers and Grants

Included in the expenditure is an amount of Kshs.6,771,586 in respect of other current transfers and grants. However, the balance has not been supported by detailed schedules, expenditure returns or bank statements.

In the circumstances, the regularity, accuracy and completeness of other current transfers and grants amount of Kshs.6,771,586 could not be confirmed.

637.3 Unsupported Expenditure - PGH Nakuru Account

Included in the expenditure is an amount of Kshs.12,837,058 in respect of PGH Nakuru Account expenditure. The balance relates to contractor retention refund of Kshs.12,800,000 and cash transfer of Kshs.37,058 upon closure of the bank account.

However, the retention refund of Kshs.12,800,000 has not been supported by way of official receipt, copy of bank statements, certificate of completion, authority to pay from public works department and approved payment voucher.

Further, the cash transfer of Kshs.37,058 is simply a movement of money from one account to another and does not amount to an expenditure.

In the circumstance, the regularity, accuracy and completeness of PGH Nakuru Account expenditure of Kshs.12,837,058 could not be ascertained.

637.4 Unreconciled Donor Fund Account Expenditure

Included in the expenditure is an amount of Kshs.18,303,516 in respect of Donor Fund Account expenditure. However, the supporting schedule reflects an amount of Kshs.28,525,355 resulting in an unreconciled variance of Kshs.10,221,839. Further, the outstanding project bank account balance as at 30 June, 2021 has not been disclosed in the financial statements.

In the circumstances, the regularity, accuracy and completeness of the Donor Fund Account expenditure of Kshs.18,303,516 could not be ascertained.

637.5 Unsupported Other Capital Grant

Included in the expenditure is an amount of Kshs.69,749,814 in respect of other capital grants. However, expenditure amounting to Kshs.40,532,800 for Department of Youth as well as Trade in respect of sport equipment and allowances were not supported by a policy document.

In the circumstances, the regularity, accuracy and completeness of other capital grant expenditure of Kshs.40,532,800 could not be ascertained.

638. Lack of Log Books

As disclosed in Note 17 to the financial statements, the statement of receipts and payments reflects acquisition of assets amount of Kshs.2,926,770,598. Included in the expenditure is purchase of vehicles and other transport equipment totalling to Kshs.188,782,830. The expenditure includes an amount of Kshs.186,353,630 incurred in procurement of seventeen (17) motor vehicles and motor cycles. However, log books for the procured motor vehicles and motor cycles were not provided. In additions, two motor cycles procured were not in use.

In the circumstances, the ownership of the acquired motor vehicles and other transport equipment totalling to Kshs.186,353,630 could not be confirmed.

639. Inaccuracies in Cash and Cash Equivalents

As disclosed in Note 21 to the financial statements, the statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.4,880,879,377. However, the balance

includes an amount of Kshs.4,227,905,563 in respect of one (1) bank account and two (2) pay-bill accounts. The certificate of bank balances reflected a balance of Kshs.4,284,990,490 resulting to an unreconciled variance of Kshs.57,084,927.

Further, the bank reconciliation statements for the bank account and pay-bill statements were not provided for review.

In addition, Note 21 on cash and bank balances does not report or disclose the bank balances held as at 30 June, 2021 by County Health Centers and Dispensaries across the County for money disbursed for operations during the year.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.4,880,879,377 could not be confirmed.

640. Issuance of NHIF Cover without Guiding Policy and Legislation

The statements of receipt and payments reflects use of goods and services amount of Kshs.1,952,995,769 out of which an amount of Kshs.145,755,622 was in respect of insurance costs. Includedin the expenditure is an amount of Kshs.14,000,000 incurred on NHIF cover for two thousand, three hundred and thirty-one (2,331) persons in seven (7) wards of the County Executive. However, the expenditure was not supported by any legislation or policy framework or any other record.

In the circumstances, the regularity of NHIF cover expenditure of Kshs.14,000,000 could not be ascertained.

641. Variance between Annual Development Plan and Approved Budget

The summary statement of appropriation - recurrent and development combined reflects a total final expenditure of Kshs.20,971,169,054. However, the annual development plan reflected an amount of Kshs.20,158,092,227 resulting to an unexplained variance of Kshs.813,076,830.

In the circumstances, the accuracy and completeness of the summary statement of appropriation - recurrent and development combined expenditure of Kshs.813,076,830 could not be confirmed.

642. Unsupported Pending Accounts Payable

Disclosed in Note 7.10.1 to the financial statements and Annex 2 is pending accounts payable balance of Kshs.781,291,220. However, the balance was not supported by a detailed schedule showing supplier name, invoice and date, nature of service, goods or works provided and reasons for the delay in making payments. Further, the balance increased from the prior year amount of Kshs.590,417,269 resulting to an increase of Kshs.190,346,072 that has not been supported by IFMIS Vote book.

In the circumstances, the accuracy, existence and completeness of the pending accounts payable balance of Kshs.781,291,220 could not be confirmed.

643. Purchase of Specialized Plant and Equipment - Medical Equipment

As disclosed in Note 17 to the financial statements, the statement of receipts and payments reflects acquisition of assets amount of Kshs.2,926,770,598. Included in the expenditure is an amount of Kshs.213,968,785 in respect of purchase of specialized plant, equipment and machinery which further includes Kshs.21,671,500 in respect of medical equipment for use at the Provincial General Hospital Nakuru, Liwet Dispensary and Gatundu - Merironi Dispensary. However, supporting documents provided were not sufficient confirm the expenditure.

In the circumstances, the regularity for payments amounting to Kshs.21,671,500 for purchase of specialized equipment could not be confirmed.

644. Long Outstanding Unimplemented Projects

The summary statement of appropriation - development reflects a budget adjustment balance of Kshs.Nil. However, the balance differs with County records on long outstanding unimplemented projects balance of Kshs.6,217,901,810 since 2013/2014.

In the circumstances, the accuracy of the amount of Kshs.6,217,901,812 representing ongoing projects provided for in the debt resolution paper for 2020/2021 could not be confirmed.

Other Matter

645. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects a final total revenue budget of Kshs.20,971,169,054 against actual receipts of Kshs.21,001,160,634 on a comparable basis resulting to a revenue over funding of Kshs.29,991,580.

The statement also reflects a final total expenditure budget of Kshs.20,971,169,054 against actual expenditure of Kshs.14,890,377,807 on a comparable basis for the year under review resulting to budget under absorption of Kshs.6,080,721,246 or 29 % of the budget.

The under-expenditure of Kshs.6,080,791,246 of the budget indicates that the County Executive of Nakuru failed to fully utilize the budget and offer quality services to the Citizens.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

646. Non-Compliance with the Law on Staff Ethnic and Composition

Records provided for audit revealed that the County recruited two hundred and sixty-five (265) employees for the year ended 30 June, 2021. However, 54% of the 265 newly recruited staff were from the same ethnic community and surpassed the recommended threshold of 33%. This is in breach of Sections 7(1) and (2) of the National Cohesion and Integration Act, 2008 that states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and no public establishment shall have more than one third of its staff from the same ethnic community.

In the circumstances, Management was in breach of the law.

647. Purchase of Certified Seeds, Breeding Stock and Live Animals

Note 17 to the financial statements reflects purchase of certified seeds, breeding stock and live animals amount of Kshs.66,047,380. However, included in the amount is Kshs.43,971,420 incurred on procurement of seedlings and live animals that have not been supported by valid nursery phytosanitary inspection certificates or animal movement permits. Therefore, the quality of certified seeds, breeding stock and live animals could not be confirmed

In the circumstances, value for money may not have been obtained from the purchase.

648. Irregular Procurement of Land

The County Executive procured five (5) acres of land in respect of Umoja Lanet Health Centre at a cost of Kshs.95,000,000 and a deposit of Kshs.20,000,000 made to the seller. However, the requisition required undeveloped land size of one to two (2) acres without encumbrance but a developed land size of five (5) acres with Kshs.3,000,000 encumbrance was procured. In addition, the budget for the land was Kshs.20,000,000 while the purchase price was Kshs.95,000,000 resulting to unauthorized commitment amounting to Kshs.75,000,000. The signed contract agreement dated 6 July, 2020 between law firm and the County Executive required payments to be made to the law firm's bank account upon execution of the agreement. Instead, the payment was made to another entity. Further, Clause 2(b) of the contract agreement required the balance of Kshs.75,000,000 to be paid on or before 30 June, 2021 and any breach would attract a penalty of 10% of the purchase price. The contract agreement was drawn by a private law firm at a cost of Kshs.1,900,000 instead of the County Attorney.

In the circumstances, the propriety and value for money of the deposit paid of Kshs.20,000,000 towards purchase of this land could not be confirmed.

649. Delayed Projects Implementation

The statement of receipts and payments reflects acquisition of assets expenditure of Kshs.2,926,770,598. However, the amount includes ongoing projects with a budget of Kshs.2,020,173,356 out of which an amount of Kshs.901,735,051 had been paid leaving a balance of Kshs.1,118,438,305 unpaid as at 30 June, 2021. The projects were between 50% and 90% complete several months after expected completion date. No reason has been provided for delay in their implementation.

In the circumstances, the value for money from the projects could not be confirmed.

650. Stalled and Incomplete Projects

During the year under review, the County Executive through the various departments paid an amount of Kshs.346,354,758 for implementation of various construction projects. Audit inspection of sampled projects with a cumulative contract amount of Kshs.1,015,689,076 revealed that several projects had either stalled, were incomplete, stopped due to dispute or had not been handed over.

In the circumstances, public may not have benefited from the intended services and works from the incomplete or stalled projects.

651. Inherited Debt from Defunct Local Authorities

County Medium Term Debt Management Strategy paper dated February, 2020 disclosed inherited debt from defunct Local Authorities totalling to Kshs.575,756,714 out of which debts amounting to Kshs.552,057,453 relates to outstanding water bills and legal fees. No clear strategy has been put in place for the payment of these debts and failure to pay debts might attract litigation costs.

In the circumstances, effective management of public resources could not be confirmed.

652. Non-Preparation of Financial Statements

The County Executive did not prepare separate financial statements for Facility Improvement Fund (FIF) as provided for under Regulation 10 of the Public Finance Management (PFM) Nakuru County Hospital Management Services Regulations, 2014.

In the circumstances, Management was in breach of the law.

653. Delayed Development of Valuation Roll

Further, and as reported previously, the County Executive is yet to develop the County valuation roll. Review of the current status of implementation of the project by the Department for Lands, Housing and Physical Planning revealed that the valuation roll is incomplete despite the full payment of the contract sum of Kshs.50,591,400 to the valuer made on 05 May, 2018. This was contrary to the contract agreement which provided final

payment of 30% to be made upon completion and approval of the final draft of valuation report by the County Assembly. The current valuation roll used for billing the plot owners expired in 2015 and had not been updated with new land subdivisions. Information available indicated that the new valuation roll had been finalized, there was no indication that the County Executive had started making use of it.

In the circumstances, Management was in breach of the procurement regulations and non-implementation of the valuation roll denies the County expected revenue.

654. Non-Compliance with Fiscal Responsibility – Wage Bill

The County Executive of Nakuru incurred expenditure of Kshs.5,878,455,127 on compensation of employees representing thirty-nine percent (39%) of the County total revenue of Kshs.15,113,593,091. The expenditure exceeds the prescribed limit of thirty-five per cent (35%) on employee cost Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulation, 2015.

In the circumstances, Management was in breach of the law.

655. Non-Compliance with One Third of Basic Rule

Analysis of the June, 2021 payroll revealed that two hundred and eighty-six (286) employees were drawing net salary of less than one third of their basic pay. This is contrary to Section 19(3) of the Employment Act, 2007 which requires the total amount of all deductions which may be made by an employer from the wages of his employee at any one time should not exceed two-third of the basic pay.

In the circumstances, Management was in breach of the law.

656. Delayed Disbursement to Vocational Training Centers Support Grant

As disclosed in Note 15 to the financial statements, the balance of Kshs.3,041,097,916 includes an amount of Kshs.74,397,000 in respect to conditional grants transfer to Village Polytechnics Fund accounts. Although the grants of Kshs.33,144,947 were received on 26 February, 2021 they were transferred on 7 July, 2021, one hundred and thirty (130) days after receipt of the funds in breach of output-based conditions that set a limit of fifteen (15) working days after receipt.

In the circumstances, Management was in breach of law.

657. Non-Implementation of the County Project Management System

The County Executive of Nakuru procured a Project Management System at a cost of Kshs.11,985,468 during the year under review. Although, the system was developed, installed and the Inception report submitted on 10 March, 2021 it was not functional as at 30 June, 2021.

In the circumstances, the County Executive of Nakuru did not realized value for money from the Project Management's system during the year.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

658. Lack of Risk Management and Fire Policy

The County Executive does not have a risk management and fire policy contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to develop risk management strategies which include fraud prevention mechanism and internal control that builds robust business operations.

In the circumstances, it was not possible to confirm whether the Management is capable of mitigating risks if and when they happen.

659. Non - Activation of the IFMIS Revenue Module

The County Executive had not activated the IFMIS Revenue Module for its revenue collection and continues to rely on manual procedures in revenue collection and accounting. This is in breach of Regulation 109(1) of the Public Finance Management (County Governments) Regulations, 2015 that provides for efficient and effective utilization of electronic systems in processing financial data.

In the circumstances, existence of effective revenue controls could not be confirmed.

COUNTY EXECUTIVE OF NAROK - NO.33

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

660. Inaccuracies in the Financial Statements

Comparison of expenditure amounts reflected in the statement of receipts and payments with the respective amounts in the Integrated Financial Management Information System, (IFMIS) records revealed variances which have not been reconciled as shown in the table

Expenditure Item	Financial Statements Balances	IFMIS Ledger Balances	Variance
	Kshs	Kshs	Kshs
Refurbishment of Buildings	85,557,940	60,969,741	24,588,199
Other Operating Cost	437,797,422	304,071,644	133,725,778
Construction of Buildings	559,673,904	465,261,943	94,411,961
Hospitality Expenses	122,944,943	296,659,730	(173,714,787)
Domestic Travel and Accommodation	124,280,302	22,550,183	101,730,119
Foreign Travel	1,367,580	832,805	534,775
Construction of Roads	580,460,423	134,740,714	445,719,709
Communication and Supply Services	108,203,440	1,449,686	106,753,754
Advertising printing and information supply services	176,191,201	33,330,784	142,860,417
Training Expenses	151,381,448	31,622,877	119,758,571
Purchase of Specialized Plant, Equipment & Machinery	6,523,937	13,327,409	(6,803,472)
Rehabilitation of civil works	37,000,000	0	37,000,000
Rehabilitation and Renovation of plant &Equipment	32,200,000	0	32,200,000
Acquisition of Land	2,481,500	0	2,481,500
Utilities, supplies and services	113,879,228	37,176,264	76,702,964
Routine Maintenance Vehicles & Transport Equipment	86,393,547	1,609,265	84,784,282
Fuel Oil & Lubricants	246,401,727	0	246,401,727
Construction of Civil Works	135,889,155	75,470,990	60,418,165

Expenditure Item	Financial Statements Balances	IFMIS Ledger Balances	Variance
	Kshs	Kshs	Kshs
Overhaul & Refurbishment of Construction of Civil Works	27,000,000	0	27,000,000
Rental of Produced Assets	15,041,518	140,092,840	(125,051,322)
Insurance Costs	17,000,000	170,858,451	(153,858,451)
Purchase of Office Furniture and General Equipment	3,648,000	6,667,358	(3,019,358)
Research Studies	15,110,432	8,841,500	6,268,932

Further, the statement of assets and liabilities reflects a balance of Kshs.37,833,779 described as prior year adjustment. However, supporting documents were not provided for audit.

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2021 could not be confirmed.

661. Unsupported Adjustments

During the year under review, Management continued to revise the financial statements from the original draft financial statements culminating to the final financial statements. However, the original draft and the final financial statements exhibited a number of items were amended which are at variance with the original financial statements submitted for audit. This is as shown below:

Description	Original Financial Statements	Amended Financial Statements	Variance
	Kshs.	Kshs.	Kshs.
Donor Funds Released Through Exchequer - Per CARA	617,523,461	475,678,814	141,844,647
Transfers from Other Government Entities	212,248,476	354,093,123	(141,844,647)
County Own Generated Receipts	618,992,783	625,910,783	(6,918,000)
Use of Goods and Services	2,996,156,300	2,752,992,046	243,164,254
Other Grants and Payments	514,917,359	727,165,835	(212,248,476)
Pending Bills	1,112,649,133	1,430,069,941	317,420,808

However, the adjustments or movement between the two sets of financial statements were not supported by way of journal vouchers and necessary documentary evidence.

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2021 could not be confirmed.

662. Unsupported Road Maintenance Levy Fund

The statement of receipts and payments reflects an amount of Kshs.354,093,123 in respect of transfer from other Government entities which, as disclosed in Note 3 to the financial statements includes an amount of Kshs.212,248,476 relating to Road Maintenance Levy Fund. However, the cash book and bank statements presented for audit reflected a balance of Kshs.170,221,832 leading to an unreconciled variance of Kshs.42,026,644.

Further, review of records revealed that during the year under review, an amount of Kshs.231,702,137 was paid to the road contractors but the expenditure was not been disclosed in the financial statements.

In the circumstances, the completeness and accuracy of Road Maintenance Levy Fund receipts and expenditure of Kshs.212,248,476 and Kshs.231,702,137, respectively could not be confirmed.

663. Irregular Utilization of Receipts

As disclosed in Note 9 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.625,910,783 in respect of County own generated receipts which includes other miscellaneous receipts of Kshs.49,851,991. The receipts includes an amount of Kshs.20,281,426 which relates to receipts collected from hospital facilities. However, review of bank statements for an account of Lolgorian Sub-county Hospital revealed withdrawals totalling to Kshs.7,693,729 on various dates which was executed without the necessary supporting documents such as payment vouchers contrary to Section 109(2) of the Public Finance Management Act, 2012 which requires that all money raised or received on behalf of the County Government is paid to the County Revenue Fund before being spent.

In the circumstances, the regularity and completeness of other miscellaneous receipts amounting of Kshs.7,693,729 could not be confirmed.

664. Unsupported Health Services Disbursement (HSD) User Fees Foregone

As disclosed in Note 15 to the financial statements, the statement of receipts and payments reflects other grants and payments amount of Kshs.727,165,835 which includes Health Services Disbursement (HSD) user fees foregone amounting to Kshs.20,595,297. The amount relates to money received from the National Government for health services and disbursed to health facilities. However, expenditure returns for the funds disbursed to the heath facilities were not provided for audit.

In the circumstances, the accuracy and regularity of Health Services Disbursement user fees foregone expenditure amounting to Kshs.20,595,297 could not be confirmed.

665. Unreconciled Bank Balances

As disclosed in Note 21A to the financial statements, the statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.1,113,386,502 which relates to bank balances. However, the cash books for thirty-two (32) bank accounts held by the County were incomplete, unbalanced and not reconciled as at 30 June, 2021. Further, certificates of confirmation of bank balances were not provided for audit.

In the circumstances, the accuracy, completeness and existence of bank balances amounting to Kshs.1,113,386,502 could not be confirmed.

666. Unsupported Expenditure on Construction of Hospital Block

The statement of receipts and payments reflects an amount of Kshs.1,485,545,290 in respect of acquisition of assets, as disclosed in Note 17 to the financial statements. Included the expenditure is an amount of Kshs.559,673,904 relating to construction of buildings out of which an amount of Kshs.23,000,000 was incurred as Management fees on construction of New Narok County Referral Hospital Block. The amount has not been supported with sufficient and relevant documents.

Further, the balance includes an amount of Kshs.19,648,786 incurred on the construction and upgrading of Emurua Dikirr Health Centre. Although Management indicated that the procurement method applied was open tender, no evidence was provided.

In the circumstances, the regularity and completeness of construction of building expenditure of Kshs.42,648,786 included in the expenditure of Kshs.559,673,904 could not be confirmed.

667. Unexplained Variance on Compensation of Employees

As disclosed in Note 11 to the financial statements, the statement of receipts and payments reflects compensation of employees expenditure of Kshs.3,580,799,775. However, the payroll for permanent employees and schedules of casual workers amounted to Kshs.3,295,387,333 resulting to unexplained variance of Kshs.285,412,442.

In the circumstances, the accuracy and regularity of the expenditure of Kshs.3,580,799,799 in respect of compensation of employees could not be confirmed.

668. Unaccounted Expenditure on Transfers to Polytechnics

The statement of receipts and payments reflects an expenditure of Kshs.727,165,835 in respect of other grants and payments, as disclosed in Note 15 to the financial statements. Includedin the expenditure is an amount of Kshs.16,084,894 transferred to Vocational and Training Colleges (Village Polytechnics). However, only an amount of Kshs.7,353,506

was transferred during the year under review resulting to an unexplained variance of Kshs.8,731,388.

In the circumstances, the accuracy and completeness of expenditure of Kshs.16,084,894 in respect of transfer to Vocational and Training Colleges could not be confirmed.

669. Unsupported Pending Bills

Note 1 on other important disclosures reflects pending accounts payable balance of Kshs.1,430,069,941 which differs with the re-casted balance of Kshs.1,559,671,983 resulting to unexplained understatement of Kshs.129,602,042.

Further, Annex 2 of the financial statements reflects pending bills amounting to Kshs.1,430,069,941 due to suppliers of goods, works and services. However, the pending bills were not supported with aging analysis, contract agreements, LPOs/LSOs, invoices, delivery notes, inspection and acceptance committee reports.

In addition, Annex 8 to financial statements reflects contingent liabilities totalling Kshs.712,049,416. However, the nature of the contingent liability has not been disclosed and the extent to which County Government of Narok will be affected by the cash out flows if the bills crystalize.

In the circumstances, the accuracy and completeness of the pending bills payable of Kshs.1,430,069,941 as at 30 June, 2021 could not be confirmed.

Other Matter

670. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final budgeted receipts and actual amount on a comparable basis of Kshs.11,665,631,283 and Kshs.10,186,145,320, respectively, resulting in an under collection of Kshs.1,479,485,963 or 13%. Similarly, the statement also reflects total expenditure budget of Kshs.11,665,631,283 against an actual expenditure of Kshs.9,564,360,745 resulting in overall under-expenditure of Kshs.2,101,270,537 or 18% of the budget. Management has attributed the reduced revenue collection to the effects of Covid – 19 pandemic.

The underfunding and under expenditure impact negatively on the delivery of services to the residents of Narok County.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

671. Irregular Issuance of Imprests

The statement of assets and liabilities reflects accounts receivables- outstanding imprest and clearance accounts balance of Kshs.11,082,800 which relate to Government imprests issued in the months of September, October and November, 2020. However, Management has not recovered the long outstanding imprests from the imprest-holders and no explanation has been provided for the non-compliance. Further, examination of temporary register revealed that some officers were issued with multiple imprest amounting to Kshs.7,815,440 contrary to Regulation 93(4) of the Public Finance Management (County Governments) Regulations, 2015 which requires surrender of a previous imprest before issuance of a new one.

In the circumstances, Management was in breach of the law.

672. Irregular Procurement of Contract

As disclosed in Note 17 to the financial statements, the statement of receipts and payment reflects an expenditure of Kshs.1,485,545,290 in respect of acquisition of assets which includes an amount of Kshs.135,889,155 relating to construction and civil works. An amount of Kshs.5,000,000 was incurred on construction of Oletukat Commercial Bridge at a contract sum of Kshs.33,161,188. However, Management used the restricted tendering method to award the contract instead of open tendering method recommended under Schedule 2 of the threshold matrix of the Public Procurement and Asset Disposal Regulations, 2020 for tender of Kshs.30,000,000 and above.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

673. Weak Internal Controls on Management of Business Permits

Note 9 to the financial statements reflects business permits receipts of Kshs.42,922,333. Review of records provided revealed that a total of 8,440 registered businesses applied for the single business permit during the year under review. However, only 5,690 businesses were invoiced for an amount of Kshs.57,261,836, out of which an amount of Kshs.42,922,333 was collected, resulting to under collection of Kshs.14,339,503. No explanation was provided for failure to invoice all businesses who applied for license and failure to collect all the invoiced business permit revenue. This implies that some

businesses were allowed to operate without paying for the business permit resulting to business loss totalling Kshs.14,339,503.

In the circumstances, the existence of an effective internal control to safe against loss of revenue could not be established.

674. Non-Consolidation of the Fixed Assets Register and Lack of Ownership Documents

Annex 6 to the financial statements reflects total assets amounting to Kshs.44,742,177,841. However, a review of fixed assets records revealed the following anomalies:

i) The County Executive has maintained several manual fixed assets registers with each recording a class of assets that need to be consolidated, in a better module that allows ease of updating.

ii) Annex 6 to financial statements indicates that the County Executive has not identified its parcels of land with an estimated value of Kshs.30,039,360,700. Further, the land registration numbers, ownership documents, location, valuation documents were not provided for audit.

iii) The County Executive procured a parcel of land from a vendor in 2018/2019 financial year at Kshs.25,200,000. However, the ownership of the land has not been transferred to the County Executive.

iv) There are twenty (20) bonded motor vehicles whose value could not be ascertained and Management has not indicated how to dispose them.

In the circumstances, existence of effective internal controls on assets could not be confirmed.

COUNTY EXECUTIVE OF KAJIADO - NO.34

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

675. Use of Goods and Services

The statement of receipts and payments and as disclosed in Note 12 to the financial statements reflects use of goods and services expenditure amounting to Kshs.889,556,604. Examination of payment records provided for audit revealed the following: -

675.1 Unsupported Expenditure on Supply and Delivery of Medical Drugs

Included the amount is an expenditure of Kshs.217,455,820 incurred on specialized materials and services out of which the Management paid Kenya Medical Supplies Authority (KEMSA) a total of Kshs.96,662,193 for supply of drugs to Kajiado hospitals, health centres and dispensaries on diverse dates between September, 2020 and March, 2021. However, the payment was not adequately supported with relevant documentation as user requisitions, inspection and acceptance certificates, counter receipt vouchers (S13) and issue vouchers (S11) for confirmation of user requirements, quantity and quality of the drugs delivered and whether the deliveries were taken on charge. In addition, no record was provided showing how the drugs were distributed to the various health facilities in the County.

In the circumstances, the accuracy, occurrence and regularity of the payment of Kshs.96,662,193 could not be confirmed.

675.2 Irregular Procurement of Medical Insurance

The audit revealed that the Management procured comprehensive medical insurance cover for staff. However, it was noted that the contract signed on 16 January, 2020 did not indicate the contract period, expiry and contract amount.

Further, the policy debit note from the underwriting company listed the policy period as 16 January, 2020 to 15 January, 2021 at a total premium of Kshs.9,007,377. However, the amount differed with the contract price of Kshs.11,369,289 obtained from the notification of award.

In the circumstances, the accuracy, and regularity of the premium paid for the comprehensive medical insurance totalling Kshs.11,369,289 could not be confirmed.

675.3 Irregular Expenditure on Fuel, Oil and Lubricants

Further, included in the amount is an expenditure amounting to Kshs.73,657,064 in respect to fuel, oil and lubricants in the year under review. Examination of fuel consumption records maintained by the County Executive revealed that fuel amounting to Kshs.15,101,027 was drawn by vehicles whose registration numbers were not documented.

Similarly, the review revealed that the Management has five (5) Generators which consumed fuel totalling to Kshs.2,231,667. However, records provided did not indicate how much fuel each generator had consumed in the period under review.

In the circumstances, the accuracy, occurrence and regularity of the expenditure amounting to Kshs.73,657,064 on fuel, oil and lubricants could not be ascertained.

676. Unsupported Expenditure

Review of records revealed that the Department of Gender incurred an amount of Kshs.45,988,209 in the year under review out of which payments totalling to Kshs.14,351,209 were not supported.

In the circumstances, the accuracy and regularity of the expenditure amounting to Kshs.14,351,209 could not be confirmed.

677. Lack of Ownership Records

Review of the records revealed that the County Executive has two hundred and three (203) vehicles which the County Executive inherited from the defunct Local Authorities, National Government and donors. However, thirty-seven (37) log books were provided for audit and as such, it was not possible to ascertain the ownership status of the remaining one hundred and sixty-six (166) vehicles.

Further, physical verification of the assets revealed that the Management procured three (3) polarize bikes in the financial year 2018/2019 which were to be used to assist in putting off fires in the slums. However, they have never been utilized since they were procured, and no document was provided for audit to establish the cost and ownership status. In addition, they were not included in the list of the vehicles owned by the County Executive.

In the circumstances, the ownership, completeness, valuation and accuracy of the transport equipment amounting to Kshs.630,758,466 could not be confirmed.

678. Lack of Updated Assets Register

Examination of the financial statements and the asset register provided for audit revealed that the Management did not have a consolidated asset register prepared in a format prescribed by IPSAS 17 and the Section 149(2) (o) of the Public Finance and Management Act, 2012 with minimum requirements of; identification or serial number,

acquisition date, description of asset, location, class, cost of acquisition, accumulated depreciation, net book value and assets are tagged with identification codes.

In the circumstances, it was not possible to confirm the accuracy of asset balance as at 30 June, 2021.

679. Undisclosed Biological Assets

Examination of records provided and field visits to the County Agricultural Demonstration Farm revealed that the Management holds biological assets (cattle) valued at approximately Kshs.9,640,000. It was however noted that the biological assets were not disclosed in the financial statements alongside other assets belonging to the County Executive.

In the circumstances, the accuracy and completeness of the County Executive's assets could not be confirmed.

680. Unsupported Long Outstanding Accounts Receivables

Annex 5 to the financial statement reflects outstanding accounts receivables balance of Kshs.12,091,737,040 which comprise of uncollected land rent, rates and royalties. However, the aging analysis of these receivables was not provided for audit review. Further, Management did not explain the measures it has put in place to collect the pending accounts receivables.

In the circumstances, the accuracy of the accounts receivables amounting to Kshs.12,091,737,040 could not be confirmed.

681. Unsupported Legal Expenses

Note 10 under other important disclosures to the financial statements reflects contingent liabilities totalling to Kshs.1,114,000,000. Review of records provided revealed a total of Kshs.1,760,248,763 resulting to an unexplained variance of Kshs.646,248,763.

Further, it was established that the Management engaged various legal practitioners to preside over various cases in the year under review and previous years without the involvement of the County Attorney. Review of the fee notes raised amounted to Kshs.1,902,465,855 out of which fee notes amounting to Kshs.142,117,092 were paid in the year under review. However, it was not possible to ascertain the accuracy of the fee notes raised since the type and magnitude of the cases could not be established as supporting documents were not provided.

In the circumstances, the accuracy and regularity of the legal fee expenditure amounting to Kshs.142,117,092 could not be confirmed.

682. Irregular Expenditure

682.1 Construction of Dormitory at Kitengela Boarding Primary School

The County Executive tendered for the construction of a dormitory at Kitengela Boarding Primary School in Sholinke – Oloosikon Ward at a contract sum of Kshs.2,992,464 for a period of six months. However, procurement records provided for audit were inadequate. Further, a site visit to the project in the month of November, 2021, revealed that no dormitory was constructed even though payment amounting to Kshs.2,504,011 had been made. In addition, the site inspection report by County Works Officer dated 14 April, 2020 reflected that the superstructure works were complete and the engineer recommended and issued certificates for payments.

In the circumstances, the accuracy, regularity and existence of the project amounting to Kshs.2,504,011 could not be confirmed.

682.2 Construction of Kyangombe Early Childhood Development Education (ECDE) Complex

The Management through Department of Education and Vocational Training tendered for construction of Kyangombe Early Childhood Development Education Complex at Kitengela Primary in Kitengela Ward, at a contract sum of Kshs.18,881,535. However, adequate procurement records were not provided for audit. Further, a site visit at the School revealed that there was no ECDE building being constructed even though the contractor had been paid a total of Kshs.16,044,940. The alleged ECDE complex is labelled Dr. Likimani Primary School with 8 classes but not ECDE complex. No explanation has been provided for the change of user from ECDE which is a County government function to a primary school which is a National Government function.

In the circumstances, the accuracy, regularity and existence of the project totalling to Kshs.16,044,940 could not be confirmed.

682.3 Construction of Classrooms - Utumishi Primary School

Review of documents provided revealed that the County Executive tendered for the construction of two (2) classrooms at Utumishi Primary School at a contract sum of Kshs.2,999,760 through request for quotations. However, the form of agreement was not dated or signed by the Chief Officer-Education contrary to Section 135(1) of the Public Procurement and Disposal Act, 2015 which states that the existence of a contract shall be confirmed through the signature of a contract document incorporating all agreements between the parties and such contract shall be signed by the Accounting Officer or an officer authorized in writing by the Accounting Officer of the procuring entity and the successful tenderer.

Further, an amount of Kshs.1,364,218 was paid to the contractor however, physical inspection carried out in the month of November, 2021 revealed that the classrooms had not been constructed and no explanation was provided.

In the circumstances, the accuracy, regularity and existence of the project totalling Kshs.1,364,218 could not be confirmed.

Other Matter

683. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final revenue budget and actual on comparable basis of Kshs.10,050,627,795 and Kshs.8,740,379,017, respectively resulting to an under-funding of Kshs.1,310,248,778 or 13% of the budget. Similarly, the County Executive spent an amount of Kshs.8,712,796,983 against an approved budget of Kshs.10,050,627,795 resulting to an under-absorption of Kshs.1,337,821,983 or 13% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

684. Disbursement of Exchequer Releases

The statement of receipts and payments reflects exchequer releases from The National Treasury to the County Government totalling to Kshs.6,977,495,700 out of which an amount of Kshs.546,120,750 was received on 2 July, 2021 after the closure of the financial year under review yet the funds were planned for the year ended 30 June, 2021. As a result, the County Executive operations and projects have been negatively impacted.

The underfunding and underutilization was due to delay of exchequer releases by The National Treasury.

685. Pending Accounts Payables

Annex 2 to the financial statements reflects pending accounts payable amounting to Kshs.1,732,181,252 which had not been cleared by 30 June, 2021 and mainly related to construction of buildings and civil works.

Failure to settle bills in the year for which they relate to adversely affect the implementation of the subsequent year's budgeted programs as the pending bills form a first charge to that year's budget provision.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

686. Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

The statement of receipts and payments and as disclosed in Note 11 to the financial statements reflects compensation of employees amounting to Kshs.3,417,114,354 which is 39% of the total revenue raised by the County Executive. This is contrary to Regulation 25(1)(b) of the Public Financial Management (County Governments) Regulations, 2015 which caps the limit at 35% of the county government's total revenue.

In the circumstances, Management was in breach of the law.

687. Irregular Insurance of Vehicles

During the course of audit, two (2) vehicles under the Department of Environment were noted to have been grounded and both had private vehicles insurance stickers yet they required commercial insurance stickers. Further, the insurance cover was active while the vehicles were grounded. No explanation was provided for failure to suspend the cover in order not to lose on the unutilised cover period. In addition, in case of accident, the County may not be compensated for failure to insure the vehicles under the correct class of insurance.

In the circumstances, value for money on insurance premiums paid may not be achieved.

688. Failure to Remit Retirement Contributions

The Management had not been remitting retirement contributions amounting to Kshs.18,584,164 to various retirement schemes that serve the employees of the County Executive and its affiliated entities which include LAPFUND, LAPTRUST and CFP. The principal amounted to Kshs.2,392,570 and interests amounted to Kshs.16,191,594. This was contrary to the requirements of The National Treasury Circular No.14/2021 dated 28 October, 2021 on failure to remit retirement contribution by County Governments.

In the circumstances, the Management was in breach of The National Treasury Circular and may continue to incur interest which will result to loss of funds.

689. Grounded Vehicles

Examination of documents and physical verification carried out in the month of November, 2021 revealed that the County Executive had one hundred and fourteen (114) grounded vehicles out of which forty (40) could not be serviced while seventy (70) were grounded but serviceable. No records were provided for review indicating how long the vehicles had been grounded. Similarly, the Management did not give explanations on why the unserviceable vehicles had not been disposed off.

Further, three (3) vehicles had been involved in accidents and had been parked at the Public Works Department offices. The vehicles had been vandalized with missing engines, radios, radiators and other accessories. No accident reports were provided for audit and similarly no explanation was provided on how vandalism occurred an indication of lack of proper controls systems for assets. This was in contravention of Regulation 132(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that the Accounting Officer of a county government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse.

In the circumstances, Management was in breach of the law.

690. Delayed Construction of Modern Drug Store at Kajiado Referral Hospital

The County Executive entered into a contract for construction of a modern drug store at Kajiado County Referral Hospital on 28 January, 2019 at a contract sum of Kshs.32,298,889, for a contract period of twelve (12) months. As at 30 June, 2021 three certificates totalling to Kshs.28,812,013 had been paid which constituted 89% of the contract sum.

However, review of certificate No. 3 revealed that the works status was 89% complete while physical verification of the project on in the month of November, 2021 revealed that works totalling to Kshs.5,307,570 had not been done. In addition, the bill of quantities included an amount of Kshs.3,750,000 in respect of additional works and provisional sum whose supporting documents were not provided for audit and consequently an amount of Kshs.9,057,570 was paid out for services not rendered and no explanation has been provided for payment of works not complete.

Further, it was noted that the works which ought to have been completed by 1 February, 2020 had been delayed by over twenty-one (21) months. It was also noted that the contractor was to provide unconditional performance guarantee amounting to Kshs.645,978 which was to be active for twelve (12) months within which the contract was to expire. However, this as well as the bid bond were not provided for audit. Further, the procurement documents, measurement sheets and project designs were also not provided for verification. Additionally, the contractor was not on site and the works had been abandoned.

In the circumstances, the value for money in the implementation of the project could not be confirmed.

691. Irregular Construction of a Private Pediatric Ward

Review of documents provided revealed that the County Executive tendered for construction of a pediatric ward at AIC Child Care Center which is a private medical facility in Daleluk Ward. The contract price for the works amounted Kshs.4,499,083 and as at the end of November, 2021, an amount of Kshs.4,325,083 or 96% of the contract price had

been paid to the contractor. The implementation of the project was in contravention of Regulation 132(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that processes and procedures both electronic and manual are in place for the effective, efficient, economical and transparent use of the County Government entity's assets.

In the circumstances, Management was in breach of the law.

692. Unsupported Construction of Ushanga Shade

The County Executive tendered for construction of Ushanga shade in Namanga at a contract sum of Kshs.9,863,236. The contract was estimated to take a period of six (6) months. As at 30 June, 2021, a total of Kshs.5,578,841 had been paid and the project was 66% complete.

However, the following anomalies were observed: -

i. The procurement plan in accordance to Sections 44(2)(c), 45(3)(a) and 53(2) of the Public Procurement and Asset Disposal Act, 2015 was not provided therefore it was not possible to confirm that works had been approved.

ii. Appointment of tender opening and evaluation committee in accordance to Section 80 (1) of the Public Procurement and Asset Disposal Act, 2015 was not provided for audit.

iii. Tender evaluation Appendices 2 (Pre-bid conference attendance register and minutes) were not provided for audit.

iv. Project progress report in accordance to Section 152 of the Public Procurement and Asset Disposal Act, 2015 was not provided for verification and the value for money in the implementation of the project could not be confirmed.

In the circumstances, Management was in breach of the procurement law and regulations.

693. Stalled Construction of Kware Market

The Management through Trade, Cooperatives and Enterprise Development Department tendered for construction of Kware market at a sum of Kshs.29,237,774 for a period of twelve (12) months. Payment certificate No.2 indicated that an amount of Kshs.12,540,462 was paid to the Company in the year under review and the project was 100% complete.

However, physical inspection in the month of November, 2021 revealed that only part of the substructure works had been done, no other works were ongoing and the contractor was not on site. Further, supporting documents for the project were not provided. It was also noted that some parts of the substructure were already being vandalized and the

project had stalled. The Management did not provided an explanation as to why the contractor was paid in full before completing the works.

In the circumstances, value for money in the implementation of the project could not be confirmed.

694. Unsupported Construction of Ongata Rongai Open Air Market

The Management awarded a contract for construction of Ongata Rongai open air market at a contract sum of Kshs.7,541,624. However, tender documents were not provided for audit. Further, a review of the bills of quantities revealed that it was overstated by an amount of Kshs.540,000. It was also observed that the bill of quantities was altered and no minutes were provided to explain reason for re-measuring. Although records reviewed indicated that the project was at 100% completion stage, handover minutes and inspection certificate were not provided for review.

Further, the market had a pre-existing perimeter wall yet an amount of Kshs.1,300,000 had been set aside for a chain link fence in the bill of quantities. Another substructure had been costed at Kshs.2,127,400 yet the first one had initially been costed. The contractor was advised through the public works to construct a superstructure, carry out roofing and set up firefighting equipment instead of the scope stipulated in the bill of quantities. However, variation of contract approval was not provided for review. As at the time of audit, no fire-fighting equipment was on site and gutters installed were not as per specifications.

In the circumstances, value for money in the implementation of the project may not have been realized.

695. Irregularities in Construction and Fencing of Ngong Sports Complex

The County Executive tendered for the construction and fencing of Ngong Sports Complex at a contract sum of Kshs.198,464,940 in the year 2016 for a period of forty-eight (48) months. Two (2) certificates were paid amounting to Kshs.38,208,304 and Kshs.16,000,000 in 2016 and 2018 respectively. Physical verification carried out in the month of November, 2021 confirmed that no work was done despite the payments. Explanations provided indicate that the contract was terminated because of unsatisfactory work and all the works on which Kshs.54,208,304 had been paid for were demolished.

The audit further noted that the ongoing works were later advertised on 30 January, 2020 in a local daily and four firms responded. After tender opening and evaluation, the contract was awarded at a tender price of Kshs.56,807,346 on 28 February, 2020 for a period of thirteen (13) months. However, the Management provided inadequate supporting documents that were insufficient to make a conclusion concerning the procurement process.

Further, an audit inspection carried out in the month of November, 2021, confirmed that the contractor was not on site and the project was 56% complete. It was also noted that the contractor was paid an amount of Kshs.26,804,149 which included an amount of

Kshs.3,946,679 for 10% retention and taxes. The certificate was however not supported by a schedule of the completed works.

In the circumstances, the value for money in the implementation of this project could not be confirmed.

696. Unsupported Field Works and Fencing of the Sports Complex

The County Executive advertised and awarded a contractor to undertake supply of Astro Turf and goal posts for a Sports Complex at a cost of Kshs.6,433,756 on 11 May, 2021. However, the value of the materials were not indicated, the bills of quantity was not provided for review and therefore the scope of work could not be ascertained. It was also noted that the Astro Turf material was kept in the open in the construction site where it is exposed to damage. The inspection and acceptance certificate for the materials delivered was not provided for review.

In the circumstances, it was not possible to ascertain value for money on this project.

697. Irregularities in Construction of Field Works and Fencing at Kajiado Sports Complex

The County Executive advertised for construction of a sports ground at Kajiado Stadium on 17 May, 2019. The audit noted that the tenders were opened and later evaluated by the same committee members who opened and evaluated the sister projects of construction and supply of Astro Turf materials at Ngong and Kajiado sports complex respectively. This is contrary to Section 46(4)(b) of the Public Procurement and Asset Disposal Act, 2015 which states that an evaluation committee shall consist of between three (3) and five (5) members appointed on a rotational basis comprising heads of user department and two (2) other departments or their representatives and where necessary, procured consultants or professionals, who shall advise on the evaluation of the tender documents and give a recommendation on the same to the committee within a reasonable time.

Further, the audit noted that the initial scope of work was changed from spreading manure and planting grass to that of use of Astro Turf. However, no approval was provided to support the change of materials for use. It was further noted that letter of award was issued before the works were advertised. In addition, the form of agreement was not dated and the contract period was not stated therein. The audit also observed that the contract was extended by a period of two (2) years without approval contrary to Section 88(2) of the Public Procurement and Asset Disposal Act, 2015 which states that the accounting officer of a procuring entity shall give in writing notice of an extension under subsection (1) to each person who submitted a tender. In addition, the audit noted that the contractor had been paid Kshs.24,399,331, however, no supporting documents detailing works done were provided.

Similarly, the Management advertised for a separate tender for field works and fencing of the sports complex on 4 December, 2020 and awarded the tender at a contract sum of

Kshs.18,414,180. However, appointment letters for the tender opening committee, tender opening register and minutes were not provided. Physical verification in the month of November, 2021 confirmed that an amount of Kshs.6,433,756 was paid without support of detailed measured works and any material on site and the project was 50% complete.

In the circumstances, the Management was in breach of the law and value for money in the implementation of the project may not be realized.

698. Irregularities in Construction of Milk Coolant at Ewuaso Market

The County Executive tendered for construction of a milk coolant at Ewuaso town at a contract sum of Kshs.3,497,145. However, examination of the procurement records revealed that three bids were received, opened and evaluated by one member of the tender opening committee contrary to Section 78(1)(a) of the Public Procurement and Asset Disposal Act, 2015 which requires that an Accounting Officer of a procuring entity to appoint a tender opening committee with at least three (3) members.

In addition, the form of agreement signed between the contractor and County Government did not contain the contract sum, date and seals of signing the agreement, contract period contrary to Section 129(2) of the Public Procurement and Asset Disposal Act, 2015 which states that the contract which shall be in writing shall set out either the maximum amount of money that can be paid under the contract; or the maximum amount of time that can be paid for under the contract.

In the circumstances, Management was in breach of the law.

699. Delayed Construction of an Administration Block at Olorien Secondary School

The County Executive tendered for the construction of an administration block at Olorien Secondary School in Kajiado East Sub-county at a sum of Kshs.4,998,820 in the financial year 2014/2015. As at the time of the audit, an amount of Kshs.2,363,569 or 47% of the contract price had been paid.

Further it was noted that the project had stalled for several months and as at the date of field visit, it was 76% complete and the contractor was on still site.

In the circumstances, value for money in the implementation of the project may not be achieved.

700. Poor Workmanship - Kibini Primary School

The County Executive tendered for the construction of a classroom at Kibini Primary School in Kajiado West Sub-county at a contract sum of Kshs.1,499,764. However, review of procurement records revealed that the form of agreement was not signed or dated contrary to Section 135(1) of the Public Procurement and Disposal Act, 2015 which states that the existence of a contract shall be confirmed through the signature of a contract

document incorporating all agreements between the parties and such contract shall be signed by the Accounting Officer or an officer authorized in writing by the Accounting Officer of the procuring entity and the successful tenderer. Further, the County Executive contravered Schedule Four of the Constitution of Kenya, 2010 by implementing a National Government function.

In addition, physical verification confirmed poor workmanship as evidenced by the floor that had cracks, had peeled off and had developed shallow potholes making it difficult to clean. It was also noted that the contractor had not been informed of the poor state of workmanship and no remedial action appear to have been taken.

In the circumstances, the Management is in breach of the law and value for money in the implementation of the project could not be confirmed.

701. Abandoned Project - Construction of Staff Houses at Kikayaya Primary School

The County Executive tendered for the construction of two (2) bedroom staff houses at Kikayaya Primary School in Kaputiei North at a contract sum of Kshs.5,362,169 in the year under review. Although the projects status report indicated that the project was 100% complete, physical verification in the month of November, 2021 revealed that works including drainage, plumping works, bathrooms, toilets, taps, showers and electrical works had not been done. Further, the audit confirmed that the project was 4% complete yet the contractor had been fully paid and was not on site.

In the circumstances, there was no value for money in the implementation of the project.

702. Stalled Construction of Pit Latrines at Kitengela Primary School

The County Executive tendered for the construction of two (2) 4-door pit latrines at Kitengela Primary School in Kitengela town in 2018/2019 at a contract sum of Kshs.993,424. Review of records provided revealed that a total of Kshs.241,802 had not been paid as at the time of audit in November, 2021.

Further, the Project Implementation Status Report indicated that the project was 100% complete. However, physical verification revealed that the project was 50% complete. In addition, the contractor was not on site and the works had stalled.

In the circumstances, value for money in the implementation of the project was not achieved.

703. Incomplete Education Projects

Review of project implementation status report for the Department of Education, Youth and Sports revealed that a total of seventy four (74) projects were started between financial years 2014/2015 and 2020/2021 at a total sum of Kshs.295,565,658. Forty-nine (49) projects which were started between 2017/2018 and 2020/2019 with a total sum of

Kshs.219,208,976 were 100% complete by 30 June, 2021. Nine (9) projects which were started between 2016/2017 and 2020/2021 financial years with a total sum of Kshs.32,648,688 were between 70-78% complete. Six (6) projects with a total cost of Kshs.19,224,710 and which were started between 2018 and 2021 were between 64-69% complete. Further six (6) projects which were started between 2019 and 2021 and whose total cost was Kshs.14,991,295 were between 50-56% complete. Four (4) projects with a total cost of Kshs.9,491,987 and which were started between 2014 and 2021 were between 41 and 47% complete.

The report indicated that an amount of Kshs.236,031,033 out of the total sum of the projects was unpaid. It was not explained why twenty-five (25) projects were incomplete as at 30 June, 2021 despite the fact that some were started in the year 2014/2015 and later years and why some of the projects though 100% complete were not fully paid for.

In the circumstances, the public may not have received value for money due to delayed completion of projects.

704. Irregularities in Purchase of Land for Kyangombe ECD

The Management placed an expression of interest for purchase of land and awarded the tender at the value of Kshs.45,500,000. However, review of records revealed various inconsistencies including the fact that the valuation of the land was carried out in the month of November, 2020, six (6) months after the award of the tender on 23 June, 2020. The audit noted that the professional opinion was done on 16 June, 2021 about twelve (12) months after the award of the tender.

Further, it was observed that the County valuer returned a value of Kshs.44,900,000 but the Management paid Kshs.45,500,000. It was further noted that the land had been subdivided into twenty-three (23) parcels of various sizes however, the title deeds for twenty two (22) parcels were not provided for audit. In addition, physical verification carried out in the month of November, 2021 revealed that the land is only sixteen (16) metres from the Mombasa Nairobi railway line which is less than the thirty (30) metres of railway reserve requirement stipulated in Section 64(2) of the Survey Act.

In the circumstances, Management was in breach of the law.

705. Wasteful Expenditure on Civil Works Projects

The County Executive tendered for public beautification in Kaputei North-Isinya Park at a contract sum of Kshs.14,495,650 using restricted tendering process. However, there was no approval and reasons for not competitively bidding for the services contrary to Section 102(1) of the Public Procurement and Assets Disposal Act, 2015 which states that an Accounting Officer of a procuring entity may use restricted tendering if any of the following conditions are satisfied—(a) competition for contract, because of the complex or specialised nature of the goods, works or services is restricted to prequalified tenderers resulting from the procedure under section 94; (b) the time and cost required to examine and evaluate a large number of tenders would be disproportionate to the value of the

goods, works or services to be procured; or (c) if there is evidence to the effect that there are only a few known suppliers of the whole market of the goods, works or services.

Further, there was no acceptance letter and inspection certificate provided for audit and hence it was not possible to ascertain the accuracy and validity of the amount paid. The audit also noted that the contractor was paid an amount of Kshs.300,000 in respect of contingency which was not supported.

Review of available documents also revealed that the contractor was paid an amount of Kshs.30,000 and Kshs.151,050 in respect of road furniture repair and maintenance, respectively. However, physical inspection carried out in the month of November, 2021 revealed that the works were not done. In addition, the contractor was paid an amount of Kshs.852,490 in respect of culverts and drainage work, there was no single culvert or drainage works done.

In the circumstances, Management was in breach of the law and the residents of the County may not obtain value for money in the implementation of the project.

706. Stalled Construction of Supply Chain Office Block at County Headquarters

Examination of documents provided revealed that the Management tendered for supply of chain office block at the County headquarters at a contract sum of Kshs.29,268,700. However, physical inspection carried out on 12 November, 2021 revealed that the works had stalled and the contractor was not on site. No explanation was provided as to why the works were incomplete sixteen (16) months later from the estimated completion date of 14 June, 2020.

In the circumstances, value for money in the implementation of the project may not be realized.

707. Stalled Erection of a Mini Petrol Station

Examination of documents provided revealed that the County Executive tendered for erection of a main petrol station at Agricultural Mechanisation Scheme (AMS) at a contract sum of Kshs.32,027,078 through open tender. However, it was noted that the professional opinion was not signed by the Accounting Officer contrary to Section 84(3) of the Public Procurement and Assets Disposal Act, 2015 which states that in making a decision to award a tender, the Accounting Officer shall take into account the views of the head of procurement in the signed professional opinion referred to in subsection (1).

Further, a valid performance guarantee was not provided for audit. The audit noted that an amount of Kshs.15,962,540 had been paid to the contractor. However, physical verification carried out in the month of November, 2021, revealed that the contractor was not on site and the works were 50% complete. No explanation was provided as to why the works were incomplete fifteen (15) months later from the estimated completion date of 30 July, 2020.

In the circumstances, Management was in breach of the law and the residents of the County may not obtain value for money in the implementation of this project.

708. Irregular Construction of Borehole

The County Executive tendered for the construction of Oloolopon borehole water tank at a contract sum of Kshs.6,533,120. Examination of records provided indicated that the contractor had encountered an extremely porous/ permeable formation discharging the water at an abnormally fast rate. Although the discharge was good, abstraction could not be viable due to lack of competent cap rock. As a result, works ceased and instructions were given for the contractor to be paid for works done by then and reallocation of the remaining amount for another borehole in another site.

However, measurement sheets for the Kshs.3,056,600 paid was not provided for audit alongside the interim certificates to quantify the actual works done. Hence validity of the amount paid could not be confirmed. In addition, the project was not supported by the hydrologist report on the viability of borehole.

Further, audit inspection carried out in the month of November, 2021 revealed that the project, which included drilling works and capping, was done on private property and was not in use. The implementation of the project was in contravention of Regulation 132(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that processes and procedures both electronic and manual are in place for the effective, efficient, economical and transparent use of the county government entity's assets.

In the circumstances, Management was in breach of the law and value for money in the implementation of the project may not be achieved.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

709. Lack of Risk Management Policy and Strategy

The Management had not put in place risk management policy, strategies and risk register to mitigate against risk. It was, therefore, not clear how the management manages risk exposures. This is in contravention of Regulation 158 (1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism; and the County Government entity develops a system of risk management and internal control that builds robust business operations.

In the circumstances, Management may fail to detect and prevent fraud and other risks.

710. Lack of an Approved Information Technology Security Policy

Review of Governance and Information Technology (IT) environment revealed that the County does not have an approved IT security policy to ensure that data stored in its systems does not lose its integrity and is readily available when required. The Management of the County has also not installed antivirus programs in its systems and has not put up mechanisms to ensure that there is up-to-date security on all systems software. Further, IT Plan and Strategic Committees documents to manage ICT matters were not availed for audit.

In the circumstances, without a sound and approved framework user may not have any rules and procedures to follow in order to minimize risk of errors, the loss of data confidentiality, integrity and availability.

711. Undocumented Program Change Management

The County had not documented and approved processes to manage upgrades made to all financial and performance information systems. This implies that changes to the financial system might occur without the completion of formal change request documentation.

In the circumstances, without a sound and approved framework user may not have any rules and procedures to follow in order to minimize risk of errors, fraud and the loss of data confidentiality, integrity and availability.

712. Lack of a Disaster Recovery Plan

The County did not have a disaster recovery plan and had not implemented a backup and retention strategy. The County Executive does not have backups stored in a secure offsite storage facility. Further, formal documented and tested emergency procedures were not provided for audit. The Management had no back up and retention strategy to ensure continuity of operations in case of system failure. The Management did not conduct regular reviews on risk assessment of operational areas.

In the circumstances, the County Executive is exposed to losses and interruption of its operations due to failure to formulate a disaster recovery plan.

COUNTY EXECUTIVE OF KERICHO - NO.35

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

713. Unsupported Compensation of Employees

As disclosed in Note 11 to the financial statements, the statement of receipts and payments reflects compensation of employees' amount of Kshs.2,505,728,072. However, the supporting schedules provided reflected an amount of Kshs.2,622,285,156 resulting to a variance of Kshs.47,607,350. Although Management explained the variance was as a result of an amount of Kshs.12,470,400 in respect of NSSF, Kshs.13,320,268 on Gratuity and Kshs.21,816,682 in respect of LAPTRUST, no details were provided to support the payments.

Further, analysis of statutory deduction and bank payment details provided revealed that employee statutory deductions in respect of NHIF amounting to Kshs.29,228,450 and NSSF totalling to Kshs.4,139,200 were not remitted on time to the respective statutory body's contrary to Section 18 (1) of the NHIF Act, (2012) and Section 27 (1) of the National Security Fund Act, 2013 Rules.

In the circumstances, the regularity, accuracy and completeness of the compensation of employees amount of Kshs.2,505,728,072 could not be ascertained.

714. Use of Goods and Services

As disclosed in Note 12 to the financial statements, the statement of receipts and payments reflects use of goods and services amount of Kshs.859,228,653. The following observations were made:

714.1 Inaccuracy in Utilities Supplies and Services

Included in the amount is an expenditure of Kshs.36,238,873 relating to utilities supplies and services while supporting schedules and ledgers reflect an amount of Kshs.39,325,631 resulting to a variance of Kshs.3,086,758 that has been explained as Covid related expense.

714.2 Unsupported Foreign Travel and Subsistence

The expenditure includes foreign travel and subsistence amounting to Kshs.2,406,255. However, copies of passports, stamped visas, boarding passes and authority to travel to support the expenditure were not provided for review.

714.3 Unsupported Hospitality Supplies and Services

The includes Kshs.104,237,377 relating to hospitality supplies and services out of which payments totalling Kshs.31,699,405 were not supported.

714.4 Inaccuracies in Specialized Materials and Services

Further, the expenditure includes specialised materials and services amount of Kshs.275,596,805 while the ledger reflects an amount of Kshs.79,670,634 resulting to a variance of Kshs.195,926,171 which has not been reconciled or explained. In addition, the expenditure includes an amount of Kshs.62,412,195 whose support was not provided.

714.5 Inaccuracies in the Use of Goods and Services

Further, variances were noted between the amounts in the financial statements of Kshs.710,856,142 and the supporting ledgers amount of Kshs.424,222,963 resulting to an unexplained variance of Kshs.286,633,179. Further, training expenses of Kshs.24,113,370 included payments totalling Kshs.8,194,665 paid to staff as accommodation allowance.

In addition, expenditure under office and general supplies and services amounting to Kshs.2,811,689 and Kshs.360,000 were paid to various County staff and a training institute respectively. However, no supporting details or explanations was provided.

In the circumstances, the regularity, accuracy and completeness of use of goods and services balance of Kshs.859,228,653 could not be confirmed.

715. Cash and Cash Equivalents

As disclosed in Note 21 to the financial statements, the statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.1,289,414,913. However, audit of the bank reconciliation statements for the month of June, 2021 revealed the following anomalies:-

715.1 Special Purpose Bank Account

The Special Purpose Bank Account reflects a bank balance of Kshs.22,250,280. However, the unpresented cheques include payments to staff amounting to Kshs.5,994,000 made on 30 June, 2021 all which were not included in the outstanding imprest as at 30 June, 2021.

Further, the Education Special Purpose Bank Account reflects a bank balance of Kshs.14,891,541. The bank reconciliation includes payments made to Youth Polytechnics on 30 June, 2021 amounting to Kshs.3,254,159.

715.2 Cash Balances Held at Health Facilities, Health Centers and Dispensaries

Included in the balance is an amount of Kshs.11,635,624 in respect of Health facilities (Annex 10) and Kshs.9,922,888 in respect of Health Centers and Dispensaries (Annex 11) both amounting to Kshs.21,558,512. However, as per the statement of receipts and payments, the transfers to all these health institutions have been expensed at the point of payment. No explanation was provided on how the balances have been recorded in the financial statements.

In the circumstances, validity, accuracy and completeness of the cash and cash equivalents balance of Kshs.1,289,414,913 could not be ascertained.

Other Matter

716. Budgetary Control and Performance

During the year under review, the County Executive of Kericho had an approved budget of Kshs.7,622,830,425 comprising of development vote of Kshs.3,230,239,701 and recurrent vote of Kshs.4,392,590,723 to be incurred on the planned activities and programmes for the financial year 2020/2021 while the actual expenditure amounted to Kshs.7,077,956,718 resulting to an under absorption of Kshs.544,873,707 or approximately 7% of the approved budget.

Under expenditure on other grants and transfers of Kshs.74,466,011 representing approximately 53% of the approved budget and acquisition of assets which recorded under expenditure of Kshs.467,493,205 representing approximately 18% of the approved budget was not explained.

The underexpenditure is an indication that services and approved projects/programmes were not delivered to the public.

717. Under Collection of Local Revenue

The County Executive had projected to collect local revenue amounting to Kshs.654,058,870. However, the County Executive realized revenue totalling to Kshs.595,976,653 resulting to a shortfall of Kshs.58,082,217 or 9 % of the budgeted revenue. In addition, there was a major decrease in revenue collection in some revenue streams specifically vehicle parking fees and natural resources exploitation which reduced by an amount of Kshs.6,595,420 and Kshs.1,399,000, respectively. However, no reasons for the differences between approved estimates and actual revenue collected were provided.

718. Late Exchequer Issues

The statement of receipts and payments reflects exchequer issues amount of Kshs.5,843,223,000 out of which an amount of Kshs.2,717,152,500 or approximately 47% of the total receipts was received in the last quarter of the financial year (Kshs.1,372,027,500 in June and July, 2021). This has an effect of inability by the County Executive to meet her financial obligations in rendering the services to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

719. Irregular Budget Allocation to the County Assembly

During the year, the County Assembly of Kericho had an approved budget of Kshs.689,331,476 which was equivalent to 9.04 % of the total revenue of the County Government of Kshs.7,622,830,425. This is contrary to Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015, which states that the approved expenditure of a County Assembly shall not exceed seven per cent of the total revenue of the county Government or twice the personnel emoluments of that County Assembly, whichever is lower.

In the circumstances, Management was in breach of the law.

720. Irregular Payment of Service Agreement

The statement of receipts and payments reflects acquisition of assets amount of Kshs.2,195,015,928 which includes research studies, project preparation, design and supervision amount of Kshs.17,606,784 as disclosed in Note 17 to the financial statements. Included in the expenditure is an amount of Kshs.9,500,000 paid to a firm in respect of banking software administration and revenue collection solution. The County Executive signed an agreement with a Bank to provide the requisite banking services and the firm to execute the revenue collection and management system on 18 February, 2016 for a period of three years. However, the service agreement expired on 18 February, 2019 and was renewed on 19 February, 2019 for one year which also elapsed on 19 February, 2020 with no evidence that the same was extended further.

In the circumstances, the propriety of the expenditure of Kshs.9,500,000 could not be confirmed.

721. Non-Compliance with Law on Ethic Composition

Audit of the payroll for the month of June, 2021 reflected that the County had one thousand eight hundred and forty-five (1845) permanent employees out of whom one thousand six hundred and thirty-one (1631) or approximately 88% were from the local dominant community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which stipulates that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff, and that no public establishment shall have more than one third of its employees from the same ethnic community.

In the circumstances, Management was in breach of the law.

722. Long Outstanding Pending Bills

Annexure 2 to the financial statements reflects pending accounts payable balance of Kshs.467,619,691 as at 30 June, 2021 which is a decrease of Kshs.79,250,309 (14.4%) compared to a balance of Kshs.546,870,000 balance as at 30 June, 2020. According to the supporting schedule, some of the pending bills have been outstanding since 2017 and no reason has been provided as to why the same have not been cleared contrary to Regulation 41(2) of Public Finance management (County Governments) Regulations, 2015 which states that pending bills are to form the first charge to the subsequent period budget.

In the circumstances, Management was in breach of the law.

723. Construction of Roads

723.1 Lack of User Requisition and Quarterly Reports

The statement of receipts and payments reflects acquisition of assets amount of Kshs.2,195,015,928 which, includes Kshs.775,900,000 for construction of roads. However, the department of roads did not provide user requisitions prepared while initiating procurement process for road works within the County for the financial year 2020/2021. Similarly, the head of procurement function did not provide quarterly reports for audit. Further, no acknowledgement from the head of internal audit confirming receipt of the quarterly reports on items procured through framework contracts.

723.2 Irregular Award of Contracts

The construction of roads amount of Kshs.775,900,600 includes payments totalling to Kshs.82,028,966 paid to two companies in respect of construction of access roads under the Roads Department and an additional amount of Kshs.11,208,012 for other infrastructure and civil works under the Department of Roads but included in the construction of civil works amount of Kshs.530,028,661 to make a total of Kshs.93,236,978. The two firms participated in tenders as two different companies while they shared same director and shareholder according to the records maintained by the Business Registration Service.

The Management has not given any reason as to why companies owned by same individuals are allowed to participate in the same tender contrary to the procurement law.

In the circumstances, Management was in breached the law.

723.3 Unsupported Construction of Drainage and Minor Roads

The construction of roads amount of Kshs.775,900,000 as disclosed in Note 17 includes an amount of Kshs.67,966,626 paid to a contractor in respect of rehabilitation and construction of drainage structures and tarmacking of minor roads at Londiani town. The works had been awarded at a contract sum of Kshs.224,774,768 with total payments amounting to Kshs.161,882,582. However, signed contract, summary of work done, Bills

of Quantities and certificates in support of the contract and the work done were not provided for audit.

In the circumstances, the propriety of the expenditure of Kshs.161,882,582 could not be confirmed.

724. Irregularities in Construction of Buildings

The statement of receipts and payments reflects acquisition of assets amount of of Kshs.2,195,015,928 which includes construction of buildings amount of Kshs.187,985,135 as disclosed in Note 17 to the financial statements. However, the following anomalies were noted:

724.1 Poor Workmanship in Construction of Classroom

The County Executive engaged a contractor for construction of ECDE classrooms at Chematich Primary School, Kapkatet ward, Bureti at a contract sum of Kshs.1,680,000 on 2 February, 2020 which was paid in full on 21 January, 2021. However, audit of the project in the months of December, 2021, showed that although the building was complete, there were noted cracks on the floor and the whole veranda area floor was damaged, windowpanes and veranda bulbs were missing.

724.2 Delay in Construction of a Fire Station

The County Executive engaged a contractor at a contract sum of Kshs.8,249,145 for Construction of a fire station for Bureti Sub-county on 28 June, 2019. The works were to commence on 5 February, 2020 and a completion date of 6 October, 2020 for a period of eight (8) weeks. The contractor requested for interim payment of Kshs.5,321,385 which was paid on 4 May, 2021. Information available indicates that the contractor on 21 September, 2020 requested for extension of contract by eight (8) weeks which he indicated was occasioned by delay in provision of final structural and architectural drawings, mechanical and electrical drawings, delay in M&E subcontractors' deployment and effect of Covid-19. However, there was no evidence that the request for extension was granted. In addition, it was not possible to confirm how the contract was awarded without drawings.

Project field visit conducted in the month of December, 2021 showed that the construction was just after the foundation and walling and the contractor was not on site.

In the circumstances, the propriety and value for money for the expenditure on class room amounting to Kshs.1,680,000 and fire station amounting to Kshs.5,321,385 could not be confirmed.

725. Expenditure Above Approved Budget

Review of expenditure against approved budget reflects an over expenditure on use of goods and services and on social security benefits amounting to Kshs.181,386,259 (26%)

and Kshs.57,898,097 (98%) respectively. The Management did not provide evidence of approval for the over expenditure.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

726. Lack of an Updated Non - Current Asset Register

The summary of non–current assets register disclosed in Annexure 6 to the financial statements reflects assets balance of Kshs.11,665,138,928 which comprises of historical cost balance brought forward from 2019/2020 of Kshs.9,470,123,000 and additions during the year amounting to Kshs.2,195,015,928. However, the asset register maintained did not include land and buildings and structures valued at Kshs.122,476,000 and Kshs.1,688,821,882, respectively which would have recorded each parcel of land and the terms on which it is held, with reference to the conveyance, address, area, dates of acquisition, disposal or major changes in use or leasehold terms.

Further, non-current assets balance of Kshs.11,665,138,938 as disclosed in the summary of non-current assets register was inherited from the defunct local authorities which included land and buildings, transport equipment, office equipment and intangible assets. However, no documentary evidence was provided for audit indicating the process of confirming the existence and valuation of these assets as the exercise has not been finalized by the entities assigned the responsibility.

In the circumstances, existence of effective internal controls on assets could not be confirmed.

COUNTY EXECUTIVE OF BOMET- NO.36

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

727. Unsupported Basic Wages Paid to Temporary Employees

The statement of receipts and payments reflects compensation of employees' costs of Kshs.2,390,043,898 as disclosed in Note 11 to financial statements, which includes an amount of Kshs.53,023,670 in respect of basic wages to temporary employees. However, the expenditure was not supported by requisition from departments for additional workforce, payment vouchers and relevant payment schedules. Further, detailed schedules of the employees in various departments, terms and conditions of service and the nature of work, were not provided for audit.

In the circumstances, the accuracy, completeness and regularity of the expenditure of Kshs.53,023,670 incurred on temporary employees could not be confirmed.

728. Unsupported Expenditure - Use of Goods and Services

As disclosed in Note 12 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.727,8002,441 under use of goods and services. The expenditure includes an amount of Kshs.12,066,630 spent on procurement of various goods and non-consumable items during the year. However, supporting documents for the expenditure such as market survey report, goods received notes and stores ledgers (S13) indicating that the goods were taken on charge were not provided. Further, non-consumable items such laptops, Ipads and mobile phones were not supported with counter requisition and issue vouchers (S11).

In the circumstances, the regularity and completeness of the expenditure of Kshs.12,066,630 on purchase of goods could not be confirmed.

729. Variance Between Summary Statement of Appropriation and Budget Execution by Programmes and Sub-Programmes

The summary statement of appropriation, recurrent and development combined reflects actual payments totalling to Kshs.6,041,887,564 which differs with the amount of Kshs.6,124,004,029 reflected in the budget execution by programmes and sub-programmes resulting in an unexplained and unreconciled variance of Kshs.82,116,465.

In the circumstances, the accuracy and completeness of the budget execution by programmes and sub-programmes could not be confirmed.

730. Variance in Pending Bills Balances

Note 7.10(1) to the financial statements on other important disclosures reflects an analysis of pending accounts payable of Kshs.842,391,540 as at 30 June, 2021 (2020: Kshs.696,052,764). However, the balances differ with the details in Annexure 2 to the financial statements balances of Kshs.637,434,974 and Kshs.704,956,458, resulting in an unreconciled and unexplained variances of Kshs.204,956,566 and Kshs.8,903,694, respectively.

Further, included in the pending bills balance as at 30 June, 2021, are bills amounting to Kshs.261,866,101 which were not supported by documents such as invoices, certificates of completion and purchase orders**.**

In addition, The National Treasury Circular No.16/2021 dated 22 December, 2021 on unpaid bills by County Governments reflected that the County Executive of Bomet owed Kenya Power and Lighting Company utility bills totalling Kshs.4,838,420.

However, the Management did not include the amount as pending bills as at 30 June, 2021. Failure to include and settle pending bills in the year to which they relate affects the budget for the subsequent year.

In the circumstances, the accuracy and regularity of the bending bills could not be confirmed.

731. Unsupported Construction of Chebang'ang Water Supply

Note 15 to the financial statements reflects an expenditure of Kshs.532,065,472 under other grant and transfers which includes an amount of Kshs.331,814,930 in respect of other current transfers, grants and subsidies, out of which an amount of Kshs.35,000,000 was in respect of contribution by the County for financing the construction of Chebang'ang water supply project. Information provided revealed that the County Executive and Kenya Red Cross Society signed a Memorandum of Understanding on 17 April, 2018 to contribute jointly, a total of Kshs.595,367,014 over a period of five (5) years to finance the construction of the project. Review of records revealed the following anomalies:

i. The County Executive transferred an amount of Kshs.35,000,000 to a joint project bank account. However, tender documents, contract documents and expenditure summaries were not provided for audit.

ii. The bank statements for the joint account for the project indicated that bank deposits amounting to Kshs.39,587,765 and withdrawals totalling to Kshs.39,529,866 between 12 January, 2021 and 06 August, 2021. However, the Management did not provide payment vouchers, authority and details for the transactions.

iii. Physical inspection conducted in the month of November, 2021 revealed that the Project was incomplete. In addition, the works which had been started at the intake of the water supply had stalled as the contractor had abandoned the site.

In the circumstances, the regularity of the expenditure of Kshs.35,000,000 on the project could not be confirmed.

Other Matter

732. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.7,619,696,133 and Kshs.7,099,627,417, respectively, resulting to an under funding of Kshs.520,068,716 or 7% of the budget.

Further, the summary statement of appropriation - recurrent and development combined reflects final County own generated revenue budget Kshs.221,421,954 in respect of County own generated receipts. However, a total of Kshs.183,008,302 was collected resulting to under collection of revenue of Kshs.38,413,652 or 17% of the budget. Further, the actual local revenue collected of Kshs.183,008,302 in the year under review declined by Kshs.18,502,312 from the amount of Kshs.201,510,614 collected in the previous financial year. The Management has attributed the under collection of revenue to the adverse effects of Covid-19 pandemic. Similarly, the County Executive spent Kshs.6,041,887,564 against an approved budget of Kshs.7,619,696,133, resulting in an under-expenditure of Kshs.1,577,808,569 or 21% of the budget.

The shortfall in revenue collection and underperformance constrained execution of planned activities and delivery of services to the residents of public.

733. Late Exchequer Releases

Review of records in relation to Exchequer releases revealed that the County Executive received an amount of Kshs.936,207,000 from The National Treasury in the last week of June, 2021 and Kshs.468,103,500 in July, 2021 totalling to Kshs.1,404,310,500.

Delay in release of Exchequer may have negatively affected timely implementation of the programmes and provision of services to the residents of Bomet.

734. Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues and did not provide explanations for the failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury and Planning Circular for the year ended 30 June, 2021.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

735. Salaries Paid Outside Integrated Payroll and Personnel Database System

The statement of receipts and payments reflects expenditure totalling Kshs.2,390,043,898 in respect of compensation of employees for the year ended 30 June, 2021 out of which an amount of Kshs.727,346,185 was paid through the manual payroll. Examination of records indicated that the County Executive had two payroll systems in operation – a manual payroll and an Integrated Personnel and Payroll Database (IPPD) system. This is contrary to The National Treasury Circular Ref. TNT/IFMIS/INT/100 'A' (60) dated 18 May, 2021 which requires payroll to be managed through the IPPD system.

In the circumstances, Management was in breach of the law.

736. Irregular Engagement of Casual Employees

As disclosed in Note 11 to the financial statements, the statement of recepts and payments reflects expenditure of Kshs.2,390,043,898 under compensation to employees which includes an amount of Kshs.53,023,670, in respect of basic wages of temporary employees, out of which Kshs.3,084,337 was paid to twenty-seven (27) casual employees. However, records indicated that the casual employees were continuously engaged for more than three (3) months contrary to the requirements under Section 37 of the Employment Act, 2007. The law provides for the conversion of the casual employment to regular employment terms for employees who have worked in an entity continuously for more than three months.

In the circumstances, Management was in breach of the law.

737. Non-Compliance with the One-Third of Basic Salary Rule

Review of the payrolls revealed that four hundred and eight (408) employees earned a net salary of less than a third (1/3) of the gross salary. This is contrary to Section E.3 (3) of the Human Resource Policies and Procedures Manual for the County Public Service, that requires public officers not to over commit their salaries beyond two-thirds (2/3) of their gross salaries.

In the circumstances, Management was in breach of the law.

738. Non-Compliance with the Law on Staff Ethnic Composition

Review of personnel records revealed that the County Executive had a total of 4317 employees on permanent and pensionable terms as at 30 June, 2021 out of whom 4219 or 98% were members of one ethnic community in the County. This is contrary to Section

7(1) and (2) of the National Cohesion and Integration Act, 2008 which provides that all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.

In the circumstances, Management was in breach of the law.

739. Acquisition of Assets

As disclosed in Note 17 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.1,302,913,600 under acquisition of assets. An audit inspection carried out revealed the following unsatisfactory issues regarding various projects:

739.1 Completed Projects not in Use

Physical verification conducted during the month of November, 2021 revealed that twelve (12) projects with an amount of Kshs.22,657,371 though fully paid for, had not been put to use or are in use but not labelled.

The Management did not explain why completed Projects were not operational.

739.2 Incomplete Projects

An inspection carried out in November, 2021 revealed that eight (8) projects implemented by the departments of Health and Education at a cost of Kshs.12,260,601 were incomplete and the contractors had left the sites. Further, eight (8) projects implemented by the Department of Agriculture at contract sum of Kshs.34,372,938, were incomplete and yet the contract periods had lapsed. The Management did not provide explanations for the delays and measures put in place to ensure completion of the Projects.

739.3 Delayed Completion of Road Projects

Review of the Projects implementation report dated 30 June, 2021 revealed that the Department of Roads had budgeted to carry out projects worth Kshs.601,654,266 during the year under review. However, review of the status report revealed that projects worth Kshs.285,406,443 only were completed, while other projects with a budget allocation of Kshs.316,247,823 had not started.

Further, an inspection carried out in November, 2021 revealed that implementation of three road (3) Projects with contract sums of Kshs.103,587,486 were ongoing.

The delayed completion of the projects may lead into cost overruns and adversely affects service delivery to the residents of Bomet.

In the circumstances, it was not possible to confirm if the public will realize value for money from the public funds committed to the projects.

740. Stalled Construction of Bomet Stadium

The County Executive entered into a contract with a local company on 13 June, 2018 for the construction of Bomet stadium at a contract sum of Kshs.257,498,105. The contract period was for three (3) calendar years commencing on 29 June, 2018 and ending on 29 June, 2021. The works included completion of the main pavilion, completion of terraces and retaining walls, completion of the perimeter wall, ablution blocks and changing rooms, storm water draining works – external and internal drainage, chain link internal barrier fence, two steel gates and gatehouse, soft landscaping work, standby generator, floodlights, warm-up track, and main track carpeting.

Review of the Project's documents and physical verification in November, 2021, revealed that the construction stalled with only 1.5% of works completed. The total payments to the contractor amounted to Kshs.14,013,380 as at 30 June, 2021, or 5.4% of the agreed contract sum, which exceeds the 1.5% value of works completed. Further, records provided for audit indicate that the stadium land belongs to Bomet University College. Management did not provide explanations for these anomalies.

In the circumstances, it was not possible to confirm if the public will realize value for money from the expenditure of Kshs.14,013,380 committed to the stadium.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

741. Long Outstanding Property Rates

Review of land records provided for audit verification revealed arrears of revenue totalling Kshs.256,719,527 which have been outstanding for long time and whose full collection appears doubtful. Further, there was no evidence of any measures put in place by the Management to enforce the collections as provided for under Regulation 63(1) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, effective management of revenue could not be confirmed.

742. Lack of Human Resource Plans/Staff Establishment

During the year under review, it was noted that the County Public Service Board recruited 415 members of staff without human resource plans and approved staff establishment as required under Regulation 119(2) of the Public Finance Management (County Governments) Regulations, 2015 and Section B (2)(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016.

In the circumstances, the staffing levels in the County may not be optimal and the need for the new staff recruited during the year could not be confirmed.

743. Weak Controls in Human Resource Information Management System (HRIMS)

During the year under review, the County Executive had a separate Human Resource Information Management System (HRIMS) for human resource management and payroll for staff not in the Integrated Payroll and Personnel Database (IPPD) system. However, review of the HRIMS system revealed that seven (7) staff members shared the same bank accounts seventy-six (76) employees had more than one personal number captured in the system.

In the circumstances, there is a weakness in internal controls which may result in overpayment of salaries and loss of public funds.

744. Inadequate Accounting for Non-Current Assets

Annexure 6 to the financial statements under summary of non-current assets register reflects total assets balance of Kshs.7,340,526,269 as at 30 June, 2021 out of which assets valued at Kshs.1,302,913,600 were additions made in the year under review. However, the additions were not reflected in the fixed assets register. Further, motor vehicle logbooks provided for audit showed one hundred and sixty-seven (167) vehicles which had not been posted in the asset register, while log books for forty-eight (48) new motor vehicles were not provided for audit verification.

In the circumstances, existence of an effective system for recording, controlling and accounting for its assets could not be confirmed.

745. Lack of Public Participation Policy and Guidelines

Examination of records maintained by the County Executive on public participation on projects revealed the following weaknesses:

i. Management had not developed a policy on public participation and a database of stake holders to guide the County Departments and organs in conducting Public Participation.

ii. Stakeholders who attended the Public Participation Forum were paid Kshs.1,000 each but the basis could not be established as approval and policy on facilitation of participants.

iii. The County Executive did not prepare monitoring and evaluation reports for public participation in the planning and budgeting process. It was not possible to ascertain whether the public participation process achieved its objectives.

iv. Reports of Public Participation dully supported by project proposals on the approved projects earmarked for implementation in the financial year 2020/2021 were not provided for audit. Therefore, it has not been possible to ascertain whether the projects implemented were approved and if the views of the community were considered in the implementation process.

COUNTY EXECUTIVE OF KAKAMEGA - NO.37

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

746. Variances Between the Financial Statements and the Report of the Controller of Budget

The financial statements provided for audit indicated four (4) components of the financial statements with a total amount of Kshs.18,073,752,877 which were at variance with Controller of Budget balances of Kshs.17,187,952,467 resulting to a variance of Kshs.885,800,410.

In the circumstances, the accuracy of the respective financial statements balances for the year ended 30 June, 2021 could not be confirmed.

747. Unsupported Compensation of Employees

As disclosed in Note 5 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.5,531,194,871 under compensation of employees which, includes an amount of Kshs.50,224,845 incurred as basic wages of temporary employees. However, the approved policy guidelines on hire of casuals and authority from the County Public Service Board to hire casuals were not presented for audit.

In the circumstances, the regularity of the expenditure of Kshs.50,224,845 could not be confirmed.

748. Nugatory Expenditure on MCAs Allowances

The statement of receipts and payments reflects expenditure of Kshs.1,645,343,323 under use of goods and services which includes an amount of Kshs.5,086,400 paid to Members of the County Assembly (MCAs) for attending a joint meeting with the County Assembly Liaison Committee Members and Members of the Monitoring and Implementation Committee to discuss various achievements and implementation of projects held on 2 and 3 July, 2021 at a hotel in Eldoret. However, an invitation letter issued for the event indicated that the County Executive would cater for conference facilities, while those invited would meet their daily subsistence allowance from their respective departments. No explanation was provided as to why the County Executive paid MCAs allowances against the provisions of the letter of invitation.

In addition, no monitoring and evaluation reports were provided for verification to confirm that the meeting took place and that its objective was achieved.

In the circumstance, the regularity of the expenditure of Kshs.5,086,400 could not be confirmed.

749. Unsupported Procurement of Drugs

Included in the use of goods and services expenditure of Kshs.1,645,343,323 and as reflected under Note 6 to the financial statements is specialized materials and services expenditure of Kshs.220,410,066, which includes an amount of Kshs.95,989,338 paid to Kenya Medical Supplies Agency (KEMSA) for the supply of medical drugs and non-pharmaceuticals. However, requisitions from the health facilities, distribution list, acknowledgements and inspection reports from Sub-county Hospitals and Health Centers were not provided for audit.

In the circumstances, the d regularity of the expenditure of Kshs.95,989,338 could not be confirmed.

750. Unreconciled Transfers to Other Government Entities

As disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects transfers to other Government units amount of Kshs.1,249,796,111 which includes an amount of Kshs.1,078,519,716 transferred to the County Assembly of Kakamega. However, financial statements of the County Assembly of Kakamega reflects transfers from the County Treasury totalling to Kshs.1,101,311,416 resulting to an unreconciled variance of Kshs.22,791,700.

In the circumstances, the accuracy and completeness of transfer to other Government entities amounting to Kshs.1,078,519,716 could not be confirmed.

751. Acquisition of Assets

The statement of receipts and payments and as reflected in Note 10 to the financial statements reflects acquisition of assets expenditure totalling to Kshs.3,880,231,241 which includes an amount of Kshs.808,648,883, relating to purchase of certified seeds, breeding stock and live animals. Examination of records provided revealed the following:

751.1 Understatement of Expenditure on Purchase of Certified Seeds, Breeding Stock and Live Animals

Examination of records provided revealed that the expenditure excludes a payment of Kshs.4,500,000 paid to Kenya Animal Genetic Resources Centre during the year under review for purchase of semen.

751.2 Non-delivery of Fish Feeds

The expenditure includes an amount of Kshs.6,310,375 incurred on purchase of fish feeds. However, review of stores ledger cards indicated that the quantities reflected in the delivery notes did not agree with the quantities reflected in the stores ledger cards, giving rise to 750 unrecorded bags worth Kshs.269,250. Further, no counter issue vouchers were provided for audit to show how the fish pellets were distributed to the points of use.

751.3 Unconfirmed Top Dressing and Planting Fertilizers

The expenditure includes an amount of Kshs.281,379,797 paid to a Company for the supply and delivery of 75,000 bags of planting fertilizer and 75,000 bags of top dressing fertilizer. However, the contract agreement indicated that the contract sum was Kshs.244,350,000 being Kshs.131,925,000 for planting fertilizer and Kshs.112,425,000 for top dressing fertilizer. No explanation was provided why the supplier was paid Kshs.281,379,797 instead of the contract sum of Kshs.244,350,000 resulting to excess payment of Kshs.37,029,797.

Further, the supplier was paid an amount of Kshs.87,706,490 for supply of 58,510 bags of top dressing fertilizer while the actual deliveries made were 58,470 bags. The non-delivery of 40 bags worth Kshs.59,960 was not explained. Similarly, the supplier was paid Kshs.99,796,865 for supply of 56,735 bags of planting fertilizer while the actual deliveries made were 56,700 bags. No explanation was also given for non-delivery of 35 bags worth Kshs.61,565.

Review of delivery notes and stores records during a visit to Lugari Sub-county revealed that 33 bags of dressing fertilizer worth Kshs.49,467 could not be accounted for. Similarly, review of delivery notes and stores records during a visit to Likuyani Sub-county revealed that 192 bags worth Kshs.239,840 could not be accounted for.

751.4 Procurement of Tea Seedlings

The expenditure includes an amount of Kshs.4,000,000 paid to Tea Research Institute for supply of tea seedlings. However, audit of payment vouchers and other supporting documents revealed that documents which include counter receipt voucher (S13), stores ledger, counter issue voucher (S11), inspection and acceptance report, and distribution list were not attached in support the expenditure. It was therefore not possible to confirm that the seedlings were delivered, received, taken on charge, inspected to conform to the required standard, and distributed to the intended recipients.

In the circumstances, the accuracy, regularity and accurrence of the expenditure amounting to Kshs.808,648,883 on purchase of certified seeds, breeding stock and live animals could not be confirmed.

752. Inaccuracies in Cash and Cash Equivalents

The statement of assets and liabilities and as disclosed in Note 21A to the statement reflects cash and cash equivalents balance of Kshs.2,101,632,023. However, cash book balances totalling to Kshs.10,670,923 varies with the balances reflected in the bank reconciliation statements of Kshs.13,920,906 resulting to an unreconciled amount of Kshs.3,249,983.

Further, the bank balance of Kshs.2,101,632,023 includes a balance of Kshs.3,150,515 relating to Central Bank of Kenya Development Account. However, verification of the bank reconciliation statement for the month of June, 2021 under the development account

reflects receipts in cash book not in the bank statement amounting to Kshs.1,166,461,252 which were received after the closure of the financial year.

In the circumstances, the cut off, accuracy and completeness of the cash and cash equivalents balance of Kshs.2,101,632,023 could not be confirmed.

753. Pending Accounts Payable (Pending Bills)

Annex 2 to the financial statements reflects pending accounts payable balance of Kshs.565,611,937. However, the supporting schedules provided for audit reflects a balance of Kshs.448,541,750 resulting to an unreconciled variance of Kshs.117,070,187. In addition, no explanation was provided for failure to clear the pending accounts payable totalling to Kshs.565,611,937 disclosed in the financial statements and the County Executive had a total cash and bank balance of Kshs.2,101,632,023 as at 30 June, 2021.

Further, a report of the Controller of Budget Implementation status for the half-year period ended 31 December, 2020 indicated that the County Executive had not remitted a total amount of Kshs.176,693,348, inclusive of interest to various Retirements Benefit Schemes. However, the unremitted balance of Kshs.176,693,348 had not been disclosed in the financial statements under pending accounts payable.

In the circumstances, the accuracy and completeness of the pending accounts payable balance of Kshs.565,611,937 could not be confirmed.

754. Unsupported Accounts Receivable - Outstanding Imprests

The statement of assets and liabilities reflects accounts receivable balance of Kshs.35,743,000 which, as disclosed in Note 13 to the financial statement, relates to outstanding imprests. However, an imprest register was not provided for audit to confirm the movement of the imprest balances. In addition, the ageing analysis was not provided to show when the imprests were issued and how long they had remained outstanding. Further, no supporting schedules were provided to confirm the balances reflected in the financial statements.

In the circumstances, the accuracy and completeness of the accounts receivable balance of Kshs.35,743,000 could not be confirmed.

755. Lack of Ownership Documents

The statement of receipts and payments reflects an expenditure of Kshs.3,880,231,241 under acquisition of assets and as disclosed in Note 10 to the financial statements. Included in the expenditure is an amount of Kshs.7,645,000 relating to acquisition of land, which includes an amount of Kshs.400,000 incurred on acquisition of land to pave way for construction of access road to the Governor’s residence. However, the title of ownership for the land was not provided for audit.

In the circumstances, the ownership of the land by the County Executive could not be confirmed.

Other Matter

756. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final revenue budget and actual on comparable basis of Kshs.16,073,687,997 and Kshs.14,018,966,126, respectively resulting to under-funding of Kshs.2,054,721,871 or 13% of the budget. Similarly, the County Executive spent an amount of Kshs.13,704,616,994 against an approved budget of Kshs.16,073,687,997 resulting to under-expenditure of Kshs.2,369,071,003 or 15% of the budget.

The under funding and under expewnditure affected the planned activities and may have negatively impacted on service delivery to the public.

757. Late Disbursement of Exchequer Releases

The statement of receipts and payments reflects exchequer releases totalling to Kshs.11,735,638,337 out of which exchequer releases amounting to Kshs.4,059,496,241 were received towards the end of the year and after the closure of the financial year under review.

No explanation was provided on why The National Treasury delayed in release of funds, contrary to Section 17(6) of the Public Finance Management Act, 2012, which states that The National Treasury shall, at the beginning of every quarter, and in any event not later than the fifteenth day from the commencement of the quarter, disburse monies to the County Governments.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

758. Non-Implementation of Projects

Project implementation status report as at 30 June, 2021 of sampled projects indicates that seven (7) projects with a total contract sum Kshs.275,005,100 had not been started.

No explanation was provided for failure to commence the projects.

In the circumstances, the public did not obtain value for money from the projects.

759. Delay in Projects Completion

The statement of receipts and payments reflects an expenditure of Kshs.3,880,231,241 under acquisition of assets as disclosed in Note 10 to the financial statements, which

includes an amount of Kshs.950,568,285 relating to construction of buildings. Examination of records provided for audit revealed the following:

759.1 Construction of Kakamega Doctors Staff Houses

Included in the expenditure is an amount of Kshs.7,613,689 paid to a contractor for undertaking construction of Kakamega Doctors Staff Houses. The contract had been awarded earlier at a contract sum of Kshs.108,516,560 for a contract period of 54 weeks from 23 June, 2016, when the contract was signed. According to documents provided, the contractor had been paid a total amount of Kshs.74,682,253 as at 30 June, 2021. However, as at the end of the financial year, the contract period of 54 weeks had lapsed and the project had not been completed. In addition, the contract performance bond had expired as at the time of the audit. Further, site meeting reports were not provided to confirm the current status of the project.

Physical verification carried out in the month of October, 2021 revealed that only four (4) workers were on site fixing wardrobes in second and third floors and the pace of the construction was slow.

759.2 Construction of Kakamega Teaching and Referral Hospital

Examination of payment vouchers and related documents revealed that the County Executive awarded a contract to a construction company to construct Kakamega Teaching and Referral Hospital at a contract sum of Kshs.6,126,817,414, for a contract period of 5 years in three phases - Phase I of 104 calendar weeks at Kshs.2,332,145,003, Phase II of 78 calendar weeks at Kshs.2,014,041,920 and Phase III of 78 calendar weeks at Kshs.1,780,630,491.

The contract agreement provided that each phase was to be completed independently and handed over to the client before commencement of the next phase. During the year under audit, a total of Kshs.220,008,776 was paid to the contractor, however, examination of payment vouchers, project files and site meeting reports revealed that, Phase I was to be completed by 10 June, 2018 but the completion date was extended by one hundred and thirty (130) weeks to 31 December, 2020. There was no evidence provided on any request and approval of the extension period. In addition, monthly progress reports were not provided for audit. Further, physical inspection contacted in the month of October, 2021 revealed that the contractor was not on site and there was no evidence of any ongoing works.

759.3 Construction of Bukhungu Stadium Phase II

Included in the expenditure is an amount of Kshs.271,739,098 paid to a contractor for the construction of Bukhungu Stadium Phase II. The contract was awarded in September, 2019 for a contract period of 170 weeks commencing on 18 September, 2019. However, according to a report by the Clerk of Works dated 13 October, 2021, the physical progress of the project was at 39% while a period of 108 weeks (representing 64%) of the contract period had elapsed, an indication that the project may not be completed on time.

Further, physical inspection carried out in October, 2021 revealed that the contractor was not on site and no explanation was provided as to why the contractor had abandoned the site.

In the circumstances, the County Executive may not get value for money from the projects and may be exposed to escalation of the costs as a result of delays in completion.

760. Irregular Procurement of Cleaning Services

The statement of receipts and payments reflects expenditure of Kshs.1,645,343,323 under use goods and services as disclosed in Note 6 to the financial statements. Included in the expenditure is an amount of Kshs.325,264,771 relating to other operating expenses, which includes an expenditure of Kshs.12,178,384 paid to several suppliers for offering cleaning services whose contracts had expired in December, 2020. The contracts were renewed by the County Executive for a period of two months (January and February, 2021), contrary to Section 139(2) of the Public Procurement and Asset Disposal Act, 2015. No explanation was provided for renewing the contracts without tendering a fresh.

In the circumstances, Management was in breach of the law.

761. Non-Compliance with the Law on Staff Ethnic Composition

Analysis of the staff establishment records as at 30 June, 2021 revealed that the County executive had 6,186 employees. However, out of this number, 5,577 employees (or about 90%) were from the local dominant ethnic community. This is contrary to the provisions of Section 65(e) of the County Governments Act, 2012, which requires that at least 30% of the total workforce should come from communities other than the local dominant community.

In the circumstances, Management was in breach of the law.

762. Failure to Adhere to the One-Third Basic Salary Rule

Analysis of the Integrated Payroll and Personnel Data (IPPD) for the year 2020/2021 revealed that the County Government did not comply with the regulations on employee salary deductions and that 322 employees had their salary deductions below one third of their basic pay, contrary to Section 19(3) of the Employment Act, 2007, and County Human Resource Manual, 2013, Item E.13(1) which states that no salary deduction will be effected beyond two thirds (2/3) of an officer's basic pay. No explanation was provided for the contravention of the regulations.

In the circumstances, Management was in breach of the law.

763. Irregular Award of Scholarships to Students Studying in China

The statement of receipts and payments reflects an expenditure of Kshs.1,138,202,578 under other grants and payments as disclosed in Note 8 to the financial statements which includes an amount of Kshs.210,138,165 relating to scholarships and other educational benefits. Audit of the relevant payment vouchers revealed that an amount of Kshs.18,730,560 was transferred to Kakamega County Scholarships Fund on the basis of a letter from the Department of Education dated 19 October, 2020 with a list of beneficiaries of the scholarships.

However, review of the list provided revealed that twenty-four (24) students were each paid an amount of Kshs.513,297, totalling to Kshs.12,319,138 while undertaking their studies in China. This was contrary to the provisions of Part IV of the Public Finance Management (Kakamega County Education Fund) Regulations, 2015, Regulation 13(1)(c) which states that an applicant shall qualify for a scholarship if the applicant is admitted, a continuing or a student with an offer letter for admission to a special school, secondary, tertiary institution or a recognized university within Kenya.

In the circumstances, Management was in breach of the law.

764. Non-Compliance with the Law on Fiscal Responsibility – Wage Bills

During the year under review, the County Executive reported an expenditure of Kshs.5,531,194,871 on salaries and wages, which is equivalent to 39.5% of total revenue of Kshs.14,018,966,126. This was contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015, which provides that the County Government expenditure on wages and benefits for public officers should not exceed 35 percent of the County total revenue.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

765. There were no material issues relating to effectiveness of internal controls, risk management and governance.

COUNTY EXECUTIVE OF VIHIGA - NO.38

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

766. Inaccuracies Compensation of Employees

The statement of receipts and payments reflects compensation of employees amount of Kshs.2,194,589,162 which includes KRA-PAYE arrears of Kshs.150,000,000 as disclosed in Note 11 to the financial statements. However, the audited financial statements for the financial year 2019/2020 reflected pending staff payables of Kshs.76,573,342 in respect of payroll deductions that had not been paid resulting to an unreconciled variance of Kshs.73,426,658.

Further, the statement of receipts and payments reflects compensation of employee amount of Kshs.2,194,589,162 while the gross pay for IPPD, manual payroll and KRA PAYE totals to Kshs.2,067,291,714 resulting to a variance of Kshs.127,297,448. Although Management explained the variance to be in respect of other payments which are not paid through the payroll but relate to compensation of employees, no supporting documentation was provided for audit.

In the circumstances, the accuracy of the compensation of employees amount of Kshs.2,194,589,162 could not be confirmed.

767. Unsupported Expenditure under Use of Goods and Services

The statement of receipts and payments and as disclosed in Note 12 to the financial statements reflects use of goods and services amount of Kshs.907,925,950 which includes foreign travel and subsistence amount of Kshs.40,968,780. Examination of the foreign travel expenditure general ledger revealed an adjustment of Kshs.1,450,000 that was not supported or explained. Further, the foreign travel ledger included daily allowances paid to staff amounting to Kshs.15,875,580 which was not supported with documentation detailing the purpose of the foreign travel and boarding passes as evidence that the officers actually travelled.

Further, the use of goods and services expenditure includes hospitality, supplies and services amount of Kshs.105,539,045 out of which payments totalling to Kshs.2,780,300 were not supported.

In addition, the rentals of produced assets expenditure of Kshs.7,192,958 includes payments totalling to Kshs.3,200,000 in respect of Mbale Office which relate to the financial years 2018/2019 and 2019/2020. However, the payment was not supported with a duly executed lease agreement and documented procurement process. The amount of Kshs.3,200,000 was also not included in the pending bills reported as at 30 June, 2020 hence not an authorised charge to the budget for the financial year under review. Further,

the training expenses amount of Kshs.11,772,240 includes payments of daily subsistence allowance totalling to Kshs.3,109,600 and unsupported payments of Kshs.920,000.

In the circumstances, the accuracy and validity of the use of goods and services, amounts of Kshs.907,925,950 could not be confirmed.

768. Unreconciled Transfers to Other Government Units

As disclosed in Note 14 to the financial statements, the statement of receipts and payments reflects transfers to other Government units amount of Kshs.779,803,821 which includes transfers to the County Assembly totalling to Kshs.649,778,651. However, the financial statements for the County Assembly of Vihiga reflects transfers from the County Treasury/Exchequer Releases totalling to Kshs.623,812,571 resulting to an unreconciled variance of Kshs.25,966,080.

In the circumstances, the accuracy of the transfers to other Government units totalling to Kshs.779,803,821 could not be confirmed.

769. Other Grants and Payments

The statement of receipts and payments and as disclosed in Note 15 to the financial statements reflects other grants and payments amounting to Kshs.873,980,562. However, the amount differs with the general ledger amount of Kshs.887,043,464 resulting to an unreconciled variance of Kshs.13,062,902. Further, the amount includes, payments totalling to Kshs.139,693,766 transferred to health facilities whose bank accounts had not been disclosed in the financial statements.

In addition, the other grants and payments amount of Kshs.873,980,562 includes an amount of Kshs.566,000 paid towards Ward sports facilitation. However, sports activities are supposed to be funded through the Vihiga County Sports Fund which was funded to the tune of Kshs.30,000,000 during the year under review.

In the circumstances, the accuracy and regularity of other grants and payments totalling to Kshs.153,322,668 could not be confirmed.

770. Unsupported Rehabilitation and Renovation of Plant, Machinery and Equipment

The statement of receipts and payments reflects acquisition of assets amount of Kshs.1,133,205,535 which as disclosed in Note 17 to the financial statements includes rehabilitation and renovation of plant, machinery and equipment amount of Kshs.139,518,535, which further includes disbursements to Vocational Training Colleges of Kshs.65,535,500. However, there were no supporting documents from the Colleges provided for audit verification.

In the circumstances, the accuracy and regularity of the rehabilitation and renovation of plant, machinery and equipment expenditure of Kshs.139,518,535 could not be confirmed.

771. Failure to Prepare Facility Improvement Fund Financial Statements

The statement of receipts and payments reflects other payments amount of Kshs.22,175,728 towards the Facility Improvement Fund and as disclosed in Note 20 to the financial statements. However, Management did not prepare and submit for audit, the financial statements for the financial year 2020/2021. This was contrary to Section 30(1) of the Vihiga County Facilities Improvement Fund Act, 2019 which states that (1) the Chief Officer shall cause to be kept all proper books and records of account of the income, expenditure, assets and liabilities under this Act (2) and within a period of three months after the end of each financial year the Chief Officer shall submit to the Auditor-General the books of accounts in respect of that year together with statement of the income and expenditure during that year, and statement of the assets and liabilities on the last day of that financial year.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.22,175,728 could not be confirmed.

772. Cash and Cash Equivalents

As disclosed in Note 21A to the financial statements, the statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.626,379,941. However, audit of the bank reconciliation statements for the month of June, 2021 revealed the following unsatisfactory issues:

772.1 Vihiga County Nutrition International Account

The financial statements reflect a cash balance of Kshs.11,108,795 as at 30 June, 2021 and as per the bank reconciliation statement for the month of June, 2021. However, the bank reconciliation statement reflects receipts in cash book not in bank amounting to Kshs.9,500,000 whose details were not provided for audit review.

772.2 Vihiga County Revenue Fund Account

The Vihiga County Revenue Fund account reflects a cash book balance of Kshs.133,476,284 as at 30 June, 2021. However, the bank statement for the month of June, 2021 revealed payments in cash book not in bank statement totalling to Kshs.1,323,766,090 whose details including payee and the payment date were not provided. The statement further reflects receipts in the cash book not in the bank statement totalling to Kshs.606,445,845 which were similarly not supported with any schedule indicating what they relate to and the period in which they belong.

772.3 Vihiga County Recurrent Account

The account reflects a cash book balance of Kshs.2,159,625 as at 30 June, 2021. Audit review of the bank reconciliation statement for the month of June, 2021 reflected payments in cash book not in the bank totalling to Kshs.398,821,376 which includes Kshs.2,500,000 paid to the County Public Service Board on 30 June, 2021 but was not reflected as a receipt in the Board's bank account. Further, receipts in cash book not in bank totalling to Kshs.393,961,420 includes exchequer receipts of Kshs.149,459,429 which were not included in the CRF bank account reconciliation. In addition, the unpresented cheques of Kshs.398,821,376 included amounts totalling to Kshs.79,228,672 that were either referred to as transfer or RTGS without further details. The reconciliation also reflects payments in cash book not in the bank statement amounting to Kshs.1,999,915 indicated as paid to revenue collection account with no further details.

772.4 Vihiga County Deposit Account

The account reflects a balance of Kshs.67,073,447 as at 30 June, 2021. The bank reconciliation statement for the month of June, 2021 reflected payments in cash book not in bank amounting to Kshs.56,034,406 which included a payment of Kshs.50,000,000 paid to Kenya Revenue Authority. However, the amount was not part of monies received into the account previously.

772.5 Climate Change Bank Account

The climate change bank account reflected a balance of Kshs.7,000,000 as at 30 June, 2021. It was established that the account was opened during the year under review and the Management indicated that the balance constitutes of receipts under Note 3 to financial statements in respect of ASDSP II of Kshs.2,000,000 and Nutrition International of Kshs.5,000,000. No explanation was provided for depositing the amounts in the account considering that each of the two projects had its own bank account and in addition one of the project account's had an outstanding balance as at the end of the year.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.626,379,941 as at 30 June, 2021 could not be confirmed.

773. Deposits and Retentions

As disclosed in Note 23 to the financial statements, the statement of assets and liabilities reflects accounts payable balance of Kshs.226,569,839 as at 30 June, 2021 comprising of retention monies of Kshs.145,073,447 and statutory deductions of Kshs.81,496,392. However, the deposit bank account reflected a balance of Kshs.67,073,447 as at 30 June, 2021 resulting to a variance of Kshs.78,000,000. Although Management indicated that the variance was as a result of interaccount borrowing of Kshs.50,000,000 to the recurrent account and Kshs.28,000,000 to the County Assembly, the amounts were not reflected in the County Assembly's financial statements or supported by a recording of the borrowing in the recurrent account.

In the circumstances, the accuracy of the accounts payable balance of Kshs.226,569,839 reflected in the statement of assets and liabilities could not be confirmed.

774. Summary of Fixed Assets Register

The summary of fixed asset register at Annex 6 to the financial statements reflects assets balance of Kshs.1,107,772,989 which includes additions during the year totalling to Kshs.408,840,888. However, the statement of receipts and payments reflects acquisition of assets amount of Kshs.1,133,205,535 (2019/2020 Kshs.1,219,698,299) and as disclosed in Note 17 to the financial statements resulting to a variance of Kshs.724,364,647. Although the Management explained that the variance of Kshs.724,364,647 is in respect of assets such as purchase of certified seeds, research studies, construction of roads which are not considered as fixed assets, no reconciliation or details were provided in support of the additions.

Further, as reported previously, the assets register held by the County Executive does not include the assets taken over from the defunct Local Authorities.

In the circumstances, the accuracy, completeness and existence of the fixed assets balance of Kshs.1,107,772,989 could not be confirmed.

775. Unreturned County Revenue Fund (CRF) Issues

The statement of assets and liabilities reflects a comparative cash and cash equivalents balance of Kshs.675,875,158 which includes an amount of Kshs.2,236,068 in respect of the development account and Kshs.64,857 in respect of the recurrent account that should have been surrendered to CRF account as at the year end. Further, the Vihiga County Assembly had a total of Kshs.249,664 in the recurrent account which should have been transferred to CRF account in line with Section 136(2) of the Public Financial Management Act, 2012 which states that if, at the end of a financial year, a County Government entity is holding appropriated money that was withdrawn from the County Exchequer Account but has not been spent, it shall repay the unspent money to the County Exchequer Account and prepare a refund statement which shall be forwarded to the Controller of Budget.

In the circumstances, the regularity, accuracy and completeness of the Returned CRF Issues of nil amount could not be confirmed.

776. Outstanding Salary Advances

The statement of assets and liabilities and as disclosed in Note 22 to the financial statement reflects accounts receivables-outstanding imprest balance of Kshs.30,910,617 which includes salary advances of Kshs.2,070,617. The amount was issued to twelve staff members; eight were issued in the year 2015 and four in the year 2020. Further, seven of the employees with advances totalling to Kshs.1,235,438 are no longer in service at the County Executive and no efforts had been made to recover the money from affected officers.

In the circumstances, the accuracy of the salary advances balance of Kshs.2,070,617 could not be confirmed.

Other Matter

777. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final revenue budget and actual on comparable basis of Kshs.6,584,548,249 and Kshs.6,422,755,965 respectively resulting to under-funding of Kshs.161,792,284 or 2% of the budget. Similarly, the County Executive spent an amount of Kshs.5,948,156,095 against an approved budget of Kshs.6,584,548,250 resulting to under-expenditure of Kshs.636,392,155 or 10% of the budget. However, no reasons were provided for the 10% under expenditure or over expenditure as required by the reporting format prescribed by the Public Sector Accounting Standards Board (PSASB).

Further, the statement reflects compensation of employees, use of goods and services, transfers to other Government units and social security benefits expenditure which exceeded the final budget amounts by an amount of Kshs.300,309,233 without approval.

778. Late Exchequer Releases

The statement of receipts and payments reflects Exchequer Releases amount of Kshs.5,052,669,300 out of which an amount of Kshs.2,349,537,750 or approximately 47% of the total receipts was received in the last quarter of the financial year with an amount of Kshs.1,186,400,250 having been released in June, 2021.

This is contrary to Section 14 of the Second Schedule of the Public Finance Management Act, 2012 which provides that cash disbursements to the County Governments shall be on quarterly basis and in accordance with the transfer of functions to County Governments. This had an effect of inability by the County Government to meet her financial obligations in rendering the services to the public.

779. Pending Bills

Note 1 of other disclosures reflect pending bills totalling to Kshs.690,579,941 which is a reduction of Kshs.514,229,222 compared to Kshs.1,204,809,163 as at 30 June, 2020. However, the supporting Annexure 1 to the financial statements was not presented in the format prescribed by the Public Sector Accounting Standards Board (PSASB) to include date contracted, original amount, balance at the beginning of the year, additions during the year, amount paid during the year, outstanding balance and any comments. Further, the Management did not explain why the bills were not settled during the year they occurred.

In addition, failure to settle bills during the year in which they relate adversely affects the budgetary provisions for the subsequent year as they form a first charge.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

780. Construction of Governor's and Deputy Governor's Residences

The acquisition of assets amount of Kshs.1,133,205,535 includes construction of buildings amount of Kshs.126,087,887 as disclosed in Note 17 to the financial statements, out of which an amount of Kshs.20,996,811 was incurred on the construction of the Governor's and Deputy Governor's houses. The contract for the construction was signed on 20 February, 2019 between the County Executive and a building contractor for two houses at a contract sum of Kshs.148,526,625. The construction commenced on 28 March, 2019 and was expected to run for 78 weeks with an expected completion date of 28 September, 2020. On 25 May, 2019 (two months into the project) the Salaries and Remuneration Commission (SRC) issued a circular setting cost limits for the construction of the houses for Governors, Deputy Governors and Speakers of County Assemblies at Kshs.45,000,000, Kshs.35,000,000 respectively. The contract entered into, therefore, exceeded the set limit of Kshs.80,000,000 by an amount of Kshs.68,526,625 or approximately 86% of the approved ceiling.

Further, it was noted that, through a letter dated 29 April, 2020 to SRC, the County Executive requested for an exemption from scaling down the cost of the two houses since the contract had already been signed and the construction had commenced by the time the circular was issued. However, as at the time of audit in March, 2022, there was no evidence that response had been received from the SRC in regard to the exemption from the limits set.

In addition, information available indicates that through a letter dated 20 August, 2020 to the Chief Officer, Department of Physical Planning and Housing, the contractor requested for an extension of the contract period by 32 weeks due to delayed payments and the effect of Covid-19 pandemic which slowed down work which was granted through a letter dated 24 March, 2021. The contract extension granted was for a period of one year from 26 February, 2021 to 26 February, 2022 (fifty-two weeks) which was twenty weeks above the duration requested by the contractor. It is evident there was no effective contract in place from 28 September, 2020 to 26 February, 2021 although the Management made payments amounting to Kshs.20,996,811.

An additional request was also made vide a letter dated 12 January, 2022 for extension of the same contract by a further 32 weeks citing same reasons for the delay and the Management indicated that the Governor's house was at 57% and Deputy Governor's at 56% completion. Although the contractor provided performance bond extension to 23 April, 2022 from a local bank, there is no evidence that the request for a further contract extension was granted.

Further, Management did not provide any explanation or documentary evidence on how the expenditure of Kshs.68,526,625 or approximately 86% above the SRC ceiling of

Kshs.80,000,000 for both houses would be regularised. As of the time of audit in March, 2022, the contract period had lapsed but the two houses were yet to be completed.

In the circumstances, the Management is in breach of the law and there is risk of loss of public funds through cost escalation and penalties due to delays.

781. Construction of Six Storey Plaza at the County Referral Hospital

The acquisition of assets amount of Kshs.1,133,205,535 includes rehabilitation and renovation of plant, machinery, and equipment amount of Kshs.139,518,535 as disclosed in Note 17 to the financial statements. The expenditure of Kshs.139,518,535 further includes an amount of Kshs.70,000,000 paid to a building contractor towards the construction of a six storey 160 bed capacity plaza at the Vihiga County Referral Hospital in a contract signed on 14 October, 2015 for a contract sum of Kshs.250,000,000. The contract period was 24 months and was expected to be completed by 18 October, 2017 which was later extended for 12 months to 16 October, 2018 on request by the contractor.

Examination of records provided revealed that, through a letter dated 11 June, 2020, the County Executive advised the contractor that due to continuous delay, lack of additional extension of the contract, and failure to adhere to the provisions of the contract, the contract was no longer valid and was to prepare a hand over report within fourteen days of the letter. On 8 April, 2020, the Ag. Director of Medical Services requested the Chief Officer to terminate the contract as the contract period had lapsed. However, there is no evidence that the Management complied with the law in terminating the contract and no details of the termination of the contract were provided for audit.

As at the time of the audit in March, 2022 the contractor had been paid a total of Kshs.187,287,023 while the project was approximately 78% complete and the building had stalled.

The County Executive invited a tender for the completion of the Hospital through an advertisement on the Government website on 18 January, 2021 and the bids were to be received by 26 January, 2021 at 11.00 am. However, the Bill of Quantities, list of the bids received, minutes of the tender opening, tender evaluation and award were not provided for audit. It is therefore not possible to establish the terms of the new contract, when the project would be completed and at what cost.

In the circumstances, the value for money for the amount of Kshs.187,287,023 already incurred on the project could not be ascertained.

782. Non-Compliance with the Law on Staff Ethnic Composition

During the year under review, the County Executive had a total of 1,762 permanent employees out of whom 1,608 or approximately 91% were from the dominant ethnic group in the County. This is contrary to Section 7 of the National Cohesion and Integration Act, No. 12 of 2008 which states that all public establishments shall seek to represent the

diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

In the circumstances, Management was in breach of the law.

783. Irregular Funding of Members of County Assembly

The use of goods and services amount of Kshs.907,925,950 includes hospitality, supplies, and services expenditure of Kshs.105,539,045 as disclosed in Note 12 to the financial statements. Included in the hospitality, supplies and services expenses is an amount of Kshs.4,903,900 that was spent on per diem for the Members of County Assembly (MCAs) on various occasions to perform various duties including interrogation of the County budget. Although the Management explained that the expenditure was budgeted for by the County Executive for the purpose for which it was paid, the activities carried out fall under the County Assembly. Therefore, it was not clear why the MCAs were facilitated by the County Executive to perform their duties and yet the expenditure is budgeted for by the County Assembly.

In the circumstances, the propriety and value for money for the expenditure could not be confirmed.

784. Construction of Oxygen Plant Building

The statement of receipts and payments reflects acquisition of assets amount of Kshs.1,133,205,535 which includes other infrastructure and civil works expenditure of Kshs.748,901,275 as disclosed in Note 17 to the financial statements. This amount includes an amount of Kshs.3,780,440 paid to a construction company in respect of construction of a building to house an oxygen plant. The contract was for a sum of Kshs.3,930,010. Examination of records provided revealed that the evaluation of the contract was carried out on 16 February, 2021. The notification of award was made on 17 February, 2021 and the contract signed on 18 February, 2021 without waiting for the mandatory 14 days period.

Further, the acceptance letter was undated and received on 18 February, 2021. The contract commencement letter was dated 18 February, 2021 and the contract period was for a duration of eight weeks but was carried out in three weeks and no completion and hand over certificate was provided for audit.

In addition, it was established that the tender evaluation team of three members had two of them in the acceptance and inspection Committee and the request for payment by the chief officer was made on 12 March, 2021 and did not have a fee Note or invoice from the contractor.

In the circumstances, the propriety and value for money for the expenditure could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

785. Failure to Automate Revenue Collection

During the year under review, the County Executive had not automated all its revenue collection sources of internally generated revenue and continued to rely on manual method which is prone to abuse and may have contributed to the shortfall in revenue collection.

Consequently, detecting revenue collection frauds and achieving real-time payments and reporting within the County Executive may not have been realized.

In the circumstances, existence of an effective internal control on revenue could not be confirmed.

COUNTY EXECUTIVE OF BUNGOMA - NO.39

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

786. Variances Between Financial Statements and Integrated Financial Managemnet Information System (IFMIS) Records

The financial statements balances presented for audit were at variance with the balances reflected in the Integrated Financial Management Information System (IFMIS) and no explanation was provided for the variances.Details are as shown below:

Description	Note	Balance in Financial Statements (Kshs.)	Balance as Per IFMIS Report (Kshs.)	Variance (Kshs.)
Receipts from operations		11,400,516,113	10,920,338,957	480,177,156
Returned CRF Issues	5	23,224	-	23,224
Transfers from Other Government Entities	3	266,961,417	-	266,961,417
Proceeds from Domestic and Foreign Grants	2	684,362,891	-	684,362,891
County Own Generated Receipts	4	790,664,681	2,793,267	787,871,414
Exchequer Releases	1	9,658,503,900	10,917,545,690	(1,259,041,790)
Payments				
Compensation of Employees	6	4,749,354,974	4,426,405,352	322,949,622
Use of Goods and Services	7	2,292,745,288	2,254,937,854	37,807,434
Transfer to Other Government Entities	8	972,355,098	1,671,693,061	(699,337,963)
Other Grants and Transfer	9	1,654,406,322	110,000,000	1,544,406,322
Acquisition of Assets	11	2,095,330,138	2,128,592,345	(33,262,207)
Other Payments	12	70,041,312	70,092,987	(51,675)
Assets				
Cash and Cash Equivalents	13	1,328,832,634	4,588,009,547	(3,259,176,913)
Liabilities				
Accounts Payables - Deposits	15	352,728,705	229,032,958	123,695,747

Description	Note	Balance in Financial Statements (Kshs.)	Balance as Per IFMIS Report (Kshs.)	Variance (Kshs.)
Fund Balances				
Fund Balance brought forward		1,279,867,919	2,591,096,850	(1,311,228,931)
Prior Year Adjustments		218,818,724	8,400,548	210,418,176
Surplus / Deficit for the Year		435,780,215	256,544,162	179,236,053

In the circumstances, the accuracy of the respective financial statements balances for the year ended 30 June, 2021 could not be confirmed.

787. Restatement of Prior Year Balances

The statement of assets and liabilities reflects prior year adjustments of Kshs.218, 818,724 which, as disclosed at Note 17 to the financial statements, related to the correction of several prior year errors. However, the balances have not been restated. This was contrary to Paragraph 1.5.1 of IPSAS: Financial Reporting under the Cash Basis of Accounting which provides that when an error arises, in relation to a cash balance reported in the financial statements, the amount of the error that relates to prior periods, shall be reported by adjusting the cash at the beginning of the period. Comparative information shall be restated unless it is impracticable to do so.

In the circumstances, the accuracy of the prior year adjustment of Kshs.218,818,724 could not be confirmed.

788. Acquisition of Assets

The statement of receipts and payments reflects expenditure of Kshs.2,095,330,138 under acquisition of assets which differs with the balance of Kshs.2,892,694,086 being the assets additions during the financial year 2020/2021 as shown under Annex 5. The variance of Kshs.797,363,948 represented the cost of assets purchased using donor funds but not disclosed in the statement of receipts of payments.

Further, payment vouchers and supporting documents for assets worth Kshs.386,228,944 acquired using donor funds, were not provided for audit.

In addition, Annex 5 provides the summary of non-current assets register. However, the register of assets maintained in accordance with the provisions of Regulations 136(1), (2) and (3) of the Public Finance Management (County Governments) Regulations, 2015 and Section 4.11.2 of The National Treasury and Planning Policy on Asset and Liability Management in the Public Sector, June, 2020 was not provided for audit.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.2,095,330,138 in respect of acquisition of assets and the existence, ownership and accuracy of the historical cost balance of Kshs.21,110,275,661 for assets as at 30 June, 2021 as reflected at Annex 5, could not be confirmed.

789. Unsupported Legal Costs

The use of goods and services expenditure of Kshs.2,292,745,289 reflected in Note 7 of the financial statements, includes an amount of Kshs.377,179,395 being other operating expenses out of which an amount of Kshs.30,668,046 was legal dues and fees paid to various law firms. However, details of how the total fees of Kshs.30,668,046 was arrived at and the current status of the respective cases was not provided. In addition, four (4) of the law firms were not in the list of firms registered to provide legal services to the County Government. Although the Management explained that the firms were prequalified by the County Government in the year 2014 and that the payments related to ongoing cases, no documentary evidence was provided.

In the circumstances, the accuracy and regularity of the expenditure of Kshs.30,668,046 could not be confirmed.

790. Unsupported Basic Wages of Temporary Employees

The statement of receipts and payments reflects expenditure of Kshs.4,749,354,974 for compensation of employees which as disclosed in Note 6 to the financial statements, includes an amount of Kshs.160,512,687 being basic wages of temporary employees. However, the approval of the County Public Service Board for the hiring of the temporary employees; documentation on the hiring process, and the terms and conditions of service for the employees were not provided for audit.

In the circumstances, the accuracy and regularity of the expenditure of Kshs.160,512,687 incurred on basic wages of temporary employees could not be confirmed.

791. Misclassification of Expenditure

The statement of receipts and payments reflects an amount of Kshs.2,292,745,289 under use of goods and services, as disclosed in Note 7 to the financial statements, out of which an amount of Kshs.49,042,623 relates to routine maintenance – vehicles and other transport equipment. However, expenditure amounting to Kshs.1,416,861 related to hospitality services procured from three (3) hotels through direct procurement even though the conditions for use of the method.

In the circumstances, the accuracy and regularity of the reported expenditure for routine maintenance – vehicles and other transport equipment and for hospitality, supplies and services could not be confirmed.

792. Accounts Receivable – Outstanding Imprests

The statement of assets and liabilities reflects an accounts receivable - outstanding imprests balance of Kshs.86,802,499. However, the balance included imprests totalling to Kshs.33,022,826 issued in the financial year 2019/2020 and earlier years.

In addition, the outstanding imprests balance includes an amount of Kshs.886,156 issued to an officer of the County Executive to attend an official event which was to be held in March, 2020 in New York. However, the event was cancelled and the officer did not travel as planned. The imprest issued was not surrendered and Management did not recover the imprest from the officer's salary contrary to Regulations 93(5) and (6) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, the regularity of the long outstanding imprests of Kshs.33,022,826 could not be confirmed.

793. Unsupported Expenditure on Rental of Produced Assets

As disclosed in Note 7 to the financial statements, the use of goods and services expenditure of Kshs.2,292,745,289 includes Kshs.9,954,098 in respect of rentals of produced assets out of which Kshs.2,648,275 was annual rent paid for office space occupied by the County Executive. However, details and records for the procurement of the office space were not provided for audit. In addition, a valuation report from the Department of Public Works on the amount payable for office space was also not provided for audit.

In the circumstances, the regularity of the expenditure of Kshs.2,648,097 could not be confirmed.

Other Matter

794. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined, reflects an approved revenue budget of Kshs.14,002,888,410 against actual receipts of Kshs.11,400,516,113 resulting in an overall revenue shortfall of Kshs.2,602,372,297 or 19%. Similarly, out of the approved expenditure budget of Kshs.14,002,888,410, the County Executive incurred an amount of Kshs.11,836,296,328 hence an under-expenditure of Kshs.2,166,592,082 or 15%.

The revenue shortfall and the under-expenditure might have impacted negatively on delivery of services and implementation of development projects in the County.

795. Exchequer Allocation and Receipts

Review of documents revealed that exchequer issues totalling to Kshs.2,267,880,750 were released late in the month of June, 2021 and in July 2021, contrary to the provisions of Section 17(6) of the Public Finance Management Act, 2012, which provides that the National Treasury shall, at the beginning of every quarter, and in any event, not later than

the fifteenth day from the commencement of the quarter, disburse monies to County Governments.

As a result of the late release of funds, the County Executive may not have had adequate time to offer services and implement approved programmes.

796. Unresolved Prior Year Audit Matters

As disclosed under the progress on follow up of auditor recommendations section of the financial statements, prior year audit issues remained unresolved as at 30 June, 2021. Management has not provided satisfactory reasons for the delay in resolving the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

797. Non-Compliance with the Law on Staff Ethnic Composition

During the year under review, the County Executive recruited a total of one-hundred and twenty-seven (127) employees to fill vacant positions at the entry level of its establishment, out of whom one-hundred and ten (110) or 87% were from the dominant ethnic community in the County. This is contrary to the provisions of Section 65(1)(e) of the County Governments Act, 2012, which provides that at least thirty percent (30%) of vacant posts at entry level should be filled by candidates who are not from the dominant ethnic community in the County.

In the circumstances, Management was in breach of the law.

798. Late Remittance of Payroll Deductions

Review of payroll deductions remittances for the months of July, August and September, 2020 and January to June, 2021 revealed that pension deductions by the County Executive amounting to Kshs.185,792,704, Kshs.60,464,419 and Kshs.3,901,648 to Local Authorities Provident Fund, Local Authorities Provident Trust and Government of Kenya Public Service Superannuation Scheme respectively, were remitted late. This was contrary to Section 53B of the Retirement Benefits Act, and Section 19(5) of the Employment Act, 2007.

In the circumstances, Management was in breach of the law and risked penalties and interest.

799. Irregular Terms of Employment

Review of the County's Integrated Payroll and Personnel Database (IPPD) revealed that eight hundred and eighty-three (883) employees of the County Executive continued to serve on probationary terms despite having served for aggregate periods of between ten (10) months and thirthy (30) years without being confirmed on permanet terms. This is

contrary to Section B.16 (3)(4) and (5) of the Public Service Commission Human Resource Policies and Procedures Manual, May, 2016.

Further, during the year under review, the County Executive recruited a total of one-hundred and twenty-three (123) candidates to fill vacancies in its pensionable establishment, out of whom, one-hundred and twenty-one (121) employees were admitted into pensionable terms of service before the lapse of the probationary period of six (6) months contrary to Section B.16 (1) of the Policies and Procedures Manual which provides that where vacancies exist in the pensionable establishment, candidates recruited to fill such vacancies shall be appointed on probation for a period of six (6) months.

In the circumstances, Management was in breach of the law.

800. Non-Compliance with the Law on Fiscal Responsibility – Wage Bill

The statement of receipts and payments reflects expenditure of Kshs.4,749,354,974 under compensation of employees which represents 42% of the total receipts of Kshs.11,400,516,113. This is contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015, which provides that total expenditure on the wage bill for County Governments should not exceed thirty-five percent (35%) of the County Government's total revenue.

In the circumstances, Management was in breach of the law.

801. Failure to Maintain Staff Establishment Records

During the year under review, the County Executive did not maintain a staff establishment record. This was contrary to Section 5(2)(f) of the County Governments Act, 2012 provides that a County Government is responsible for the establishment and staffing of its Public Service. It was therefore not possible to confirm the County's optimum staffing levels, areas of overstaffing, areas of understaffing and any other staffing requirements.

In the circumstances, Management was in breach of the law.

802. Irregular Hospitality Supplies and Services Expenditure

Included in the hospitality supplies and services expenditure of Kshs.398,981,791 reflected in Note 7 to the financial statements, is an amount of Kshs.852,400 being facilitation for staff and Members of the County Assembly (MCAs) for various activities carried out by the County Executive. However, letters of invitation to the staff and the MCAs for their attendance and participation were not provided.

In the circumstances, the regularity of the expenditure of Kshs.852,400 could not be confirmed.

803. Other Operating Expenses

The use of goods and services expenditure of Kshs.2,292,745,289 reflected in the statement of receipts and payments includes, as disclosed in Note 7 to the financial statements, an amount of Kshs.377,179,395 incurred on other operating costs.

The expenditure includes an amount of Kshs.230,091,844 being payments for contracted guards and cleaning services. However, the expenditure exceeded the amount of Kshs.175,584,000 provided in the procurement plan for the services by an amount of Kshs.54,507,844.

In addition, the expenditure includes an amount of Kshs.210,606,380 being payments for garbage collection. However, the approved budget for the services was Kshs.193,055,849 leading to an over-expenditure of Kshs.17,550,531.

The excess expenditure of Kshs.72,058,375 was contrary to Regulation 50(2) of Public Finance Management (County Governments) Regulations, 2015 which provides that expenditure commitments for goods and services shall be controlled against spending and procurement plans approved by the responsible Accounting Officer, based on allocations and allotments from approved budgets.

In the circumstances, Management was in breach of the law.

804. Specialized Materials

The statement of receipts and payments and as disclosed in Note 7 to the financial statements reflects expenditure of Kshs.2,292,745,289 on use of goods and services which, includes an amount of Kshs.355,952,576 being the cost of specialized materials and services.

The expenditure includes an amount of Kshs.61,896,437 paid to Kenya Medical Supplies Agency (KEMSA) for supply of pharmaceuticals, non-pharmaceuticals and lab-reagents. However, the requisitions from the sampled health centres and the Sub-county Hospitals to confirm the need for the supplies were not provided. In addition, the delivery notes from the various hospitals, dispensaries and health centres and the stores ledger / stock cards to confirm how the items were received, taken on charge and issued out were not provided.

Further, an amount of Kshs.60,194,055 was incurred on purchase of drugs, other non-pharmaceutical items and lab reagents procured through restricted tendering method. However, evidence that the conditions laid down under Section 102(1) of the Public Procurement and Asset Disposal Act, 2015 had been met, was not provided. In addition, requisitions for the items were not provided for audit.

It was, therefore, not possible to confirm the regularity and value for money for the expenditure of Kshs.61,896,437 paid to KEMSA and an amount of Kshs.60,194,055 paid on procurement of drugs through restricted tenders.

805. Installation of Solar Powered Flood Lights

During the year under review, Management contracted a local company to install three (3) solar powered flood lights at Sikusi, Malinda and Mukhweya Markets in Chwele, Kabuchai Ward at a contract sum of Kshs.2,910,000, which was fully paid as at the time of audit. However, audit inspection of the three (3) floodlights in November, 2021, revealed that, although the floodlights existed, items totalling to Kshs.1,105,000, which were part of the bill of quantities had not been installed. Further, interviews with the primary users of the floodlights revealed that the flood lights produced light for an average of five (5) hours instead of the eleven hours provided for in the bill of quantities.

In the circumstances, the value for money from the expenditure of Kshs.2,910,000 could not be confirmed.

806. Delayed Construction of Hostel Block

Management awarded a contract to a local contractor for erection and completion of a hostel block being Phase II of the High-Altitude Training Centre in Mt. Elgon Sub-county, at a contract sum of Kshs.25,491,383. However, audit inspection in November, 2021 revealed that Phase I of the project, which was supposed to have been completed by December, 2016, had not been completed. There was no satisfactory explanation on why Management awarded a contract for construction of phase II before phase I was completed. In addition, it was not clear how Phase II of the Project would function optimally without the completion of phase I. Although Management explained that sufficient funds had since been allocated to Phase I of the Project which was complete, except for the installation of electricity and water which was ongoing, no documentary evidence was provided.

In the circumstances, the value for money may not be obtained from the expenditure on the Project.

807. Delayed Implementation of Projects

During the year under review, the Management had planned to implement a total of two-hundred and fifty-one (251) projects or programs with a total cost of Kshs.2,189,020,875. However, at the end of the financial year, forty (40) projects had not been started and one-hundred and three (103) projects were still on-going. Further, eleven (11) projects were halted under unclear circumstances.

Failure to implement the projects as planned may not only impact negatively on service delivery to the residents of the County but also lead to loss of public funds through cost escalations arising from delayed completion of the projects.

808. Cash and Cash Equivalents

The bank balance of Kshs.1,328,678,784 shown in the statement of assets and liabilities as at 30 June, 2021 relates to three hundred and ten (310) bank accounts operated by

the County Executive. However, the approval of the County Treasury to open and operate three-hundred (300) of the bank accounts as required under Regulation 82(4) of the Public Finance Management (County Governments) Regulations, 2015, was not provided for audit.

In the circumstances, Management was in breach of the law.

809. Pending Bills

As disclosed under Other Important Disclosures, the County Executive had pending accounts payable amounting to Kshs.440,360,768 as at 30 June, 2021 relating to acquisition of assets and supply of goods and services.

Failure to settle bills during the year to which they relate adversely affects budgetary provisions for the subsequent financial year.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

810. Composition of Audit Committee and Failure to Operationalize the Risk Management Framework

Review of the Audit Committee members' appointment letters and the Audit Committee meeting minutes revealed that as at 30 June, 2021, the Committee lacked two members: an independent member and a representative of the County Treasury. The positions fell vacant on 4 December, 2018 and 3 March, 2020 respectively.

In addition, the County Executive was yet to operationalize the approved risk management policy framework and did not have an updated risk register contrary to Regulation 158(1)(b) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, the effectiveness of internal controls, risk management and governance of the County Executive could not be confirmed.

COUNTY EXECUTIVE OF BUSIA - NO.40

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

811. Nugatory Expenditure

As disclosed in Note 12 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.1,534,163,202 in respect of use of goods and services which includes an amount of Kshs.47,973,251 in respect of utilities, supplies and services. The latter balance includes electricity bills totalling to Kshs.15,569,015 incurred by Lake Victoria North Water Services and Western Water Services Company but paid for by the County Executive. However, explanation as to why Management settled bills relating to other entities and for which no budget had been provided for in the annual budget was not provided.

In the circumstances, the regularity of the expenditure of Kshs.15,569,015 relating to utilities, supplies and services could not be ascertained.

812. Unsupported Use of Goods and Services

Note 12 to the financial statements reflects an amount of Kshs.1,534,163,202 in respect of use of goods and services which includes an amount of Kshs.60,846,375 in respect of office and general supplies and services which in turn includes expenditure totalling to Kshs.33,846,765 for which payment vouchers and related supporting documents were not provided for audit.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.33,846,765 incurred on office and general supplies and services could not be confirmed.

813. Unsupported Other Grants and Transfers

As disclosed in Note 15 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.894,787,835 in respect of other grants and transfers out of which an amount of Kshs.72,007,512 relate to emergency relief and refugee assistance. However, the latter balance includes expenditure amounting to Kshs.2,794,086 for which payment vouchers and related supporting documents were not provided for audit review.

In the circumstances, the accuracy and completeness of the other capital grants and transfers expenditure of Kshs.2,794,086 could not be confirmed.

814. Unsupported Insurance Costs

Note 12 to the financial statements reflects an amount of Kshs.1,534,163,202 in respect to use of goods and services which includes an amount of Kshs.231,868,677 in respect of insurance costs. However, the insurance costs includes an amount of Kshs.22,485,126 paid to seven (7) insurance service providers for insurance of motor vehicles for which the respective insurance policies were not provided for audit review.

In the circumstances, the regularity and completeness of the amount of Kshs.22,485,126 incurred on insurance of motor vehicles could not be confirmed.

Other Matter

815. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.10,418,909,789 and Kshs.9,298,791,790 respectively, resulting to an under-funding of Kshs.1,120,117,999 or 11% of the budget. Similarly, the County Executive spent an amount of Kshs.8,270,784,950 against an approved budget of Kshs.10,418,909,789 resulting to an under - expenditure of Kshs.2,148,124,838 or 21% of the budget.

However, scrutiny of records for Exchequer releases during the year under review, revealed that Exchequer receipts amounting to Kshs.1,776,684,662.50 were received in the months of June and July, 2021. Late Exchequer release by The National Treasury amount to underfunding the County Executive and impacts negatively on planned activities and service delivery to the public.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

816. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

817. Accounts Payable (Pending Bills)

Note 1 on other important disclosures and Annex 2 to the financial statements reflects accounts payable (pending bills) balance amounting to Kshs.740,655,335 as at 30 June, 2021.

Failure to settle bills in the year to which they relate distorts the financial statements for that year and adversely affects the budgetary provisions of the subsequent financial year.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

818. Non-Compliance with the Law on Fiscal Responsibility – Wage Bill

The statement of receipts and payments reflects an amount of Kshs.2,746,359,102 in respect of compensation of employees which represents about 39% of the total receipts of Kshs.7,098,305,067. This is contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which states that total expenditure on the wage bill for County Governments should not exceed thirty-five (35) percent of the County Government's total revenue.

In the circumstances, Management was in breach of the law.

819. Non-Compliance with the Law on the One Third Basic Salary Rule

Review of Integrated Payroll and Personnel Data (IPPD) for the year under review revealed that two hundred and forty-eight (248) employees were earning less than a third of their basic salaries per month. This is contrary to Section 19(3) of the Employment Act, 2007 which requires that deductions made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages.

In the circumstances, Management was in breach of the law.

820. Irregular Insurance Costs

As disclosed in Note 12 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.1,534,163,202 in respect of use of goods and services which includes an amount of Kshs.231,868,677 in respect of insurance costs out of which an amount of Kshs.207,943,228 was paid to an insurance company for provision of staff medical cover. However, examination of the insurance policy revealed that Paragraph 6.7.2 of the policy stipulates that a member can be covered up to the age of 66 years. This is contrary to Section D.21 of the Human Resource Policies and Procedures Manual for the Public Service, 2016, which stipulates that all officers shall retire from the Service on attaining the mandatory retirement age of 60 years and 65 years for persons with disabilities.

In the circumstances, Management was in breach of the law.

821. Irregular Procurement of a System

The County Executive engaged a research consultant at a cost of Kshs.27,999,320 on 17 November, 2015 for a contract period of three years ending 17 November, 2018. The consultant was to implement a complete Revenue Management System capable of

providing visibility to Management across all revenue streams as well as provide real-time information to the County Executive and citizens at large.

The purpose of the contract was to create a high-level gap analysis on the business processes giving priority to revenue collection for the County Executive, so as to capture all aspects of revenue streams and to propose strategies to optimize collection, minimize and ultimately close revenue leakages through automation.

However, review of the contract indicated that the ERP expired on 17 November, 2018 after the consultant had been paid the full contract amount of Kshs.27,999,320. However, as at the date of audit in November, 2021, the ERP had not been renewed casting doubt on the prudent management of revenue by the County Executive.

In the circumstances, the value for money from the amount of Kshs.27,999,320 investment in the project could not be confirmed.

822. Emergency Relief and Refugee Assistance

As disclosed in Note 15 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.894,787,835 in respect of other grants and payments expenditure which includes an amount of Kshs.72,007,512 relating to emergency relief and refugee assistance.

However, the County Executive incurred the expenditure without establishing an Emergency Fund as required by Section 110 of the Public Finance Management Act, 2012 which stipulates that a County Executive Committee may, with the approval of the County Assembly, establish an Emergency Fund which shall consist of money appropriated by the County Assembly from time to time to enable payments to be made when an urgent and unforeseen need for expenditure arises for which there is no legislative authority.

In the circumstances, Management was in breach of the law.

823. Accounts Receivable

The statement of assets and liabilities reflects a balance of Kshs.1,150,000 in respect of accounts receivable which, as disclosed in Note 22 to the financial statements, relates to outstanding imprests relating to the months of October, 2020, March, 2021 and April, 2021. However, no explanation was provided for the failure to have the imprests accounted for as required by Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015 which requires a holder of a temporary imprest to account for or surrender the imprest within 7 working days after returning to duty station.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

824. There were no material issues related to effectiveness of internal controls, risk management and governance noted during the audit.

COUNTY EXECUTIVE OF SIAYA - NO.41

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

825. Inaccuracies in Cash and Cash Enquivalents

The statement of assets and liabilities as at 30 June, 2021 reflects cash and cash equivalents balance of Kshs.955,384,150. However, a review of the bank reconciliation statements for the month of June, 2021 for the various bank accounts held by the County Executive revealed eight (8) bank accounts with cashbook balances totalling to Kshs.792,222,668 had variances between the bank balances reflected in the reconciliation statements and the balances reflected in the certificates of bank balances.

Further, four (4) bank accounts with cash balances totalling to Kshs.50,743,240 were not supported with certificates of bank balances as at 30 June, 2021.

In the circumstances, the accuracy and existence of the cash and cash equivalents balance of Kshs.955,384,150 could not be confirmed.

826. Unsupported Prior Year Adjustments

Note 14 to the financial statements reflects, a comparative balance of Kshs.1,789,279,407 in respect to bank balances while the computed balance amounts to Kshs.1,791,566,383 resulting to a variance of Kshs.2,286,976. Although Management has made a prior year adjustment to correct the error, the disclosure is not in accordance with the requirements of International Public Sector Accounting Standards (Cash basis) on correction of errors, which requires that an error shall be corrected by restating the comparative information unless it is impractical to do so.

In the circumstances, accuracy of the comparative balance of Kshs.1,789,279,407 could not be confirmed.

827. Unsupported Retention Monies

As disclosed in Note 13 to the financial statements, the statement of assets and liabilities reflects accounts payables balance of Kshs.38,542,407 which includes retention monies balance of Kshs.10,010,638. However, the retention and deposit bank account held at Central Bank of Kenya had a balance of Kshs.70,891 resulting to unexplained shortfall of Kshs.9,939,747.

In the circumstances, the accuracy of retention monies balance of Kshs.9,939,747 could not be confirmed.

828. Unaccounted Transfers to Other County Government Entities

The statement of receipts and payments and as disclosed in Note 8 to the financial statements reflects other grants and transfers payments of Kshs.538,130,277 which includes transfers to Emergency Fund of Kshs.100,000,000. However, financial statements for the year ended 30 June, 2021 for the Emergency Fund were not prepared and submitted for audit.

In addition transfers to Youth Polytechnics amounting to Kshs.48,199,894 included under other grants and transfers were not supported with expenditure returns from the Youth Polytechnics.

In the circumstances, the accuracy of the other grants and transfers amount of Kshs.148,199,894 could not be confirmed.

829. Unsupported Purchase of Intangible Assets

As disclosed in Note 9 to the financial statements, the statement of receipts and payments reflects acquisition of assets expenditure of Kshs.2,326,518,672 which includes an amount of Kshs.4,594,990 paid for the acquisition of intangible assets and charged to feasibility and appraisal studies. However, no documentary evidence to support the expenditure was provided for audit.

In the circumstances, the accuracy the expenditure of Kshs.4,594,990 in respect of purchase of intangible assets could not be confirmed.

830. Unsupported Expenses

The statement of receipts and payments and as disclosed in Note 6 to the financial statements reflects use of goods and services amount of Kshs.1,779,152,446. The expenditure includes an amount of Kshs.305,304,703 in respect of training expenses out of which Kshs.135,349,979 was paid to forty individuals whose supporting documents on how the funds were utilized were not provided for audit.

Further, included in the expenditure is an amount of Kshs.176,352,761 in respect to hospitality, supplies and services expenses out of which Kshs.48,180,638 of the payments were paid to fourteen (14) members of staff. However, no documentary evidence to support the expenditure was provided for audit.

In addition, the expenditure includes an amount of Kshs.71,362,794 in respect of office, general supplies, and services out of which, payments totalling to Kshs.46,847,895 were not supported with details of the goods or services supplied.

In the circumstances, the accuracy and regularity of the expenditure amount of Kshs.230,378,512 included in use of goods and services could not be confirmed.

831. Unsupported Pending Bills

The pending accounts payable includes an amount of Kshs.2,509,764 owing to the Council of Governors which Management has explained relates to rent arrears for the County executive office in Nairobi for which the office of Council of Governors entered

into a lease agreement on behalf of the County. However, no supporting documents were provided.

In the circumtances, the accuracy and regularity of the amount of Kshs.2,509,764 owed to the Council of Govenors could not be confirmed.

Other Matter

832. Budgetary Control and performance

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual amounts on comparable basis of Kshs.8,221,104,984 and Kshs.6,797,046,073 respectively, resulting to an underfunding of Kshs1,424,058,911 or 17% of the budget. Similarly, the County Executive spent an amount of Kshs.7,595,869,777 against an approved budget of Kshs.8,221,104,984 resulting to an under-expenditure of Kshs.625,235,207 or 8% of the budget.

Further, the statement reflects an expenditure of Kshs.538,130,277 on other grants and transfers with no budgetary provision.

Based on the approved estimates, under funding and under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

833. Late Exchequer Releases

The statement of receipts and payments as disclosed in Note 1 to the financial statements reflects exchequer releases of Kshs.5,797,741,950 which includes an amount of Kshs.1,940,303,250 or approximately 33% released during the fourth quarter out of which an amount of Kshs.463,356,000 was received on 30 June, 2021 being the last day of the financial year.

In the circumstances, the delay in exchequer releases may have impacted negatively on implementation of projects and programs for the public.

834. Pending Bills

Annexure 2 to the financial statements reflects pending bills amounting to Kshs.601,738,508 which were not settled in 2020/2021 financial year but were instead carried forward to 2021/2022. Analysis of the bills revealed that some of them have been outstanding since 2014. Although Management has explained that the main reason for the delay in settling of the pending bills was due to budget constraints and that the County Executive had adopted the First in First Out (FIFO) as a basis of settling of pending bills, it is not clear why some pending bills have been outstanding since 2014.

Failure to settle bills during the year to which they relate to adversely affects the provisions of the subsequent year to which they are charged.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

835. Delayed Construction of Haudinga Sheltered Workshop

Note 9 to the financial statements reflects construction of buildings expenditure of Kshs.517,271,498. Included in the expenditure is a payment of Kshs.5,407,305 paid to a local contractor for the construction of Haudinga Sheltered Workshop in Ukwala. The contract was awarded on 22 June, 2020 at a contract sum of Kshs.6,678,405 for a contract period of sixteen (16) weeks. Although Management has indicated that the project is complete and handed over to the community, physical inspection of the project in November, 2021 revealed that it is incomplete over a year since the expected completion period with no evidence of extension of the contract period. Further, the completion certificate and the inspection and acceptance report were not provided for audit.

In the circumstances, stakeholder's may not have obtained value for their resources amounting Kshs.5,407,305 already spent on this project.

836. Delayed Construction of Nyasanda Sheltered Workshop

Note 9 to the financial statements reflects construction of buildings amount of Kshs.517,271,498. Included is an amount of Kshs.1,500,000 paid to a local contractor for the construction of Nyasanda Sheltered Workshop in Ugunja. The firm was awarded the contract for a sum of Kshs.6,831,702 on 28 June, 2019 for a contract period of four (4) months. Although Management has explained that the project is complete and has been handed over to the community, physical verification of the project in November, 2021 revealed that a four-door pit latrine, electricity connection, installation of a 5000 litre water tank and water gutters had not been done as required in the bill of quantities. Further, no completion certificate, report of inspection and acceptance committee and the handing over report to the community were provided for audit verification. In addition, there was no evidence of extension of the contract period and the contractor was also not on site.

In the circumstances, the value for money for the amount of Kshs.1,500,000 spent on this project could not be confirmed.

837. Delayed Completion of Nyamnina Youth Polytechnic

Note 9 to the financial statements reflects construction of buildings amount of Kshs.517,271,498. Included in the expenditure is an amount of Kshs.2,908,328 paid to a contractor for the construction of Nyamnina Youth Polytechnic. The contract was awarded at a contract price of Kshs.3,870,156 and commenced on 24 February, 2020 with an estimated completion period of twelve (12) weeks. Although Management has stated that the project was completed and handed over to the community and a completion certificate

dated 17 February, 2021 issued, physical verification of the project in November, 2021 revealed that the project was incomplete and the contractor was not on site.

In the circumstances, the public may not have obtained value for money in respect of Kshs.2,908,328 spent on the project.

838. Renovations at Odera Akang'o Campus

838.1 Works at Directors Office

The construction of buildings amount of Kshs.517,271,498 reflected in Note 9 to the financial statements includes an amount of Kshs.5,067,399 paid to an engineering firm in respect of renovations at Odera Akang'o Campus. The construction contract was signed in January, 2018 at a contract sum of Kshs.36,653,220 with an expected completion date of 25 October, 2018. Physical verification of the project in November, 2021 revealed that the renovation works were still incomplete as renovation of the Principal's Office had not started and the contractor was not on site while the certification for payments totalling to Kshs.33,955,486 or 92% of the contract sum had been done. Although Management has provided a certificate of practical completion dated 10 February, 2021, it was not supported by details of works not properly completed and the defect liability period was not known. Management has also not indicated the action that has been taken to have the defects corrected including connectivity of electricity.

In the circumstances, value for money for Kshs.33,955,486 incurred on this project could not be confirmed.

838.2 Supply and Installation of Generator

A local supplier was sub-contracted to supply a 110KVA generator at a contract sum of Kshs.2,397,148 which was delivered and installed in 2018 but could not be commissioned since the connection of a 3-phase power line was yet to be put in place and therefore remains idle. As at the date of the audit in Novembr, 2021, an amount of Kshs.1,678,003 representing 70% of contract sum had been paid to the supplier towards the supply and installation of generator. Management has explained that the 3-phase power line connection was the responsibility of Odera Akang'o University College Management and not part of the contract between the County Executive and the main contractor.

In the circumstances, value for money spent on the delivery and installation of the generator amounting to Kshs.2,397,148 may not have been obtained.

839. Unsupported Variation of Works at Obaga West Asembo Health Centre

The statement of receipts and payments reflects an expenditure of Kshs.517,271,498 under construction of buildings which, as disclosed in Note 9 to the financial statements, includesan amount of Kshs.1,295,372 paid to a local contractor in respect of construction of a laboratory at the Obaga West Asembo Health Centre. However, physical verification in November, 2021 revealed that the laboratory had cracked door frames, ten (10)

windows were installed instead of fourteen (14) contracted and that four (4) steel doors were fixed instead of five (5) specified in the contract.

Further, the paving slabs were not done around the building block as per the bill of quantities. Although Management has explained that the amount of Kshs.81,050 saving from the variation was utilized to carry out extra works requested by the Project Management Committee (PMC), no documentary evidence was provided in support of the variation. Further, Management did not provide the completion certificate, certificate of inspection and acceptance and handing over certificate.

In the circumstances, the public may not have received value for money from the project.

840. Payment for Works not Done-Maira Othatch and Bar Okwiri Kayouth Roads

The construction of roads expenditure of Kshs.844,657,054 reflected in Note 9 to the financial statements includes an amount of Kshs.10,305,315 in respect of maintenance of Maira Othatch Road and Bar Okwiri Kayouth roads. However, physical verification of the project in November, 2021 revealed that there was no evidence of site clearance or grading and gravelling works on the road. It was further noted that the road had overgrown vegetation and there was no evidence of any maintenance works performed. Although Management has explained that this was attributed to the early implementation of the project which was immediately after award of the contract and the contractor was instructed to make good of the said defects which have since been rectified by the contractor at his own cost. However, the completion certificate was not provided for audit verification.

In the circumstances, it was not possible to determine whether the public obtained value for money on the amount of Kshs.10,305,315 spent on this project.

841. Rehabilitation of Siaya Slaughterhouse

The statement of receipts and payments reflects acquisition of assets expenditure of Kshs.2,326,518,672 as disclosed in Note 9 to the financial statements. Included in the expenditure is an amount of Kshs.715,194,838 incurred on construction and civil works out of which an amount of Kshs.3,999,999 was paid to a local contractor for the rehabilitation of Siaya slaughterhouse. The contract was awarded on 5 February, 2021 at a contract sum of Kshs.9,984,993 with a contract period of sixteen (16) weeks. Physical verification of the project in November, 2021 revealed that the project was incomplete and contractor was not on site. Although Management has attributed the non-completion to changes in the design done to accommodate the blood tank and manure shed, bad weather experienced within the region, Covid -19 pandemic and budget constraints, no evidence was provided to support the extension of the project completion period.

In the circumstances, the public may not obtain value for money if the project is not completed and put to its intended use.

842. Delay in Construction of Migwena Sports Stadium

Information and records at the Department of Agriculture indicated that in 2017 the County Executive awarded a tender for the construction of Migwena Sports Stadium to a local contractor at a sum of Kshs.22,433,511 for a contract period of twenty-four (24) weeks. However, information made available indicated that due to a breach of contract by the County Executive, the contractor sought legal redress and was awarded an amount of Kshs.6,966,833 for cost of works done which were subsequently paid in the financial year 2019/2020.

Physical verification of the project in November, 2021 revealed that the works done by the contractor included construction of the foundation of the pavilion and supply of ballast of approximately fifteen (15) tonnes. The management has however not provided an explanation and documentation in support of termination of the contract and the measures put in place to ensure the project is completed as planned.

In the circumstances, Management was in breach of the law.

843. Delay in Construction of Siaya County Stadium

The County Executive awarded a contract to a foreign firm for the construction of Siaya County Stadium in a contract signed on 30 August, 2018 at a contract sum of Kshs.394,661,767 with the contract period ranging from 1 January, 2019 to 6 December, 2019. Review of the latest valuation certificate dated 1 March, 2021, provided for audit revealed that total certified works amounted to Kshs.327,091,241 and the project was approximately 83% complete. During the year under review, an amount of Kshs.80,254,180 was paid to the main contractor while an amount of Kshs.14,648,670 was paid to two local sub-contractors in respect of plumbing and electrical works. However, the following unsatisfactory matters relating to the project were noted:

i. Physical verification carried out in November, 2021 revealed that the project remains incomplete 23 months past the completion date despite the Management indicating that there had been four extensions to the contract period. However, Management has not provided any documentation in support of the extension of contract period.

ii. The project activities in relation to sports pitch, main pavilion (substructure, roofing and rainwater disposal, windows, doors, B.W.I electrical/mechanical engineering services), terraces and Amphitheatre were yet to commence. In addition, the installations of the electrical fittings and plumbing fittings were incomplete, and the storage of these fittings were poorly done and prone to theft and/or damage.

iii. The performance bond issued by a local bank dated 26 October, 2018 expired on 20 April, 2020 and there is no evidence that the same was extended.

In the circumstances, the delayed completion may lead to cost escalation and the public may not receive value for money in respect of the expenditure incurred on the stadium.

844. Delayed Commissioning of X-Ray Machine

The statement of receipts and payments and Note 9 to the financial statements reflects purchase of specialized plant, equipment and machinery expenditure of Kshs.94,044,545. This amount includes an amount of Kshs.2,500,000 paid to a medical supplies firm on 30 October, 2020 for supply and delivery of an X-Ray machine at Madiany Sub-county Hospital at a contract sum of Kshs.4,150,000. Information available indicated that the machine was delivered to the Hospital on 19 December, 2019. However, as at the time of audit in November, 2021, the machine had not been commissioned and put to use two years since it was supplied.

In the circumstances, the public may not have received value for money on the amount of Kshs.4,500,000 spent to purchase the x-ray machine.

845. Inadequate Support to Vocational and Training Centres

During the year under review, the Department of Education disbursed grants amounting to Kshs.24,097,920 to eighteen (18) Vocational Training Centres within the County. However, audit verification carried out revealed that the centres within the county had a total of thirty (30) permanent trainers seconded from the National Government in 2013 against a student population of over 3,500. The centres therefore lacked adequate staffing capacity to carry out their mandate. Further, the centres had also engaged instructors under Board of Managements where some of them had salary arrears of several months.

Although the Management has explained that recruitment and promotion processes of trainers is ongoing to address the staff shortage and also ensure timely payment of salaries, no documentary evidence has been provided.

In the circumstances, the centres may not achieve the objectives for which they were established.

846. Long Outstanding Imprests

The statement of assets and liabilities reflects accounts receivables balance of Kshs.22,586,875 in respect of outstanding staff imprests that had not been surrendered as at 30 June, 2021 out of which an amount of Kshs.13,923,575 was still outstanding as at the time of audit in March, 2022. This is contrary to Regulation 93(5) of Public Finance Management (County Governments) Regulations, 2015 which requires a holder of temporary imprest to surrender the imprest within 7 working days after returning to the station.

Further, examination of imprest records revealed that contrary to the Section 93(4)(b) of the Public Finance Management (County Governments) Regulations, 2015, eighteen officers were issued with additional imprests before accounting for previously issued imprests totalling to Kshs.9,620,975.

In the circumstances, Management was in breach of the law.

847. Non-Compliance with the Law on One Third Basic Salary Rule

Review of the County Executive's payroll revealed that one hundred and fifty-nine (159) employees earned a net salary of less than a third (1/3) of their basic salary in the month of June, 2021 contrary to Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016. Management has not given explanation for failure to comply with the policy.

In the circumstances, Management was in breach of the law.

848. Staff Serving Beyond Mandatory Retirement Age

Examination of the personnel records provided for audit revealed that seventy-eight (78) employees who had attained the mandatory retirement age of 60 years were still appearing in the June, 2021 payroll. This is contrary to circular no OP. CAB. 2/7A dated 20 March, 2009 which prescribes the mandatory retirement age for public servants as sixty years.

In the circumstances, Management was in breach of the law.

849. Irregular Expenses Lake Region Economic Bloc (LREB)

The statement of receipts and payments as disclosed in Note 9 to the financial statement reflects acquisition of assets expenditure of Kshs.2,326,518,672 which includes an amount of Kshs.44,817,195 in respect of research, studies, project preparation, design, and supervision out of which an amount of Kshs.2,000,000 was paid to the Lake Region Economic Bloc. However, the legal basis for the payment was not provided.

In the circumstances, the propriety of the payment to the Lake Region Economic Bloc amounting to Kshs.2,000,000 could not be confirmed.

850. Irregular employment Casuals

During the year under review, the County Executive of Siaya did not have an approved policy manual on recruitment of casuals. It was therefore not clear how the casuals were engaged in the absence of the policy manual. Further, it was observed that some casuals served for a continuous period of more than three months contrary to the requirement of Section 37 of the Employment Act, 2007

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

851. Lack of an Approved Risk Management Process

During the year under review, the County Executive did not have an approved Risk Management Policy and therefore, had no approved processes and guidelines on how to

mitigate operational, legal and financial risks as stipulated under Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015. There was also no evidence that formal risk assessment was conducted during the year under review. Further, the County Executive did not have an approved Information Communication Technology (ICT) Security Policy, documented and tested emergency procedures and ICT continuity and disaster recovery plans kept off-site, and backups stored in a secure off-site location.

Although the Management has explained that an ICT Strategic Plan, ICT Policy, ICT Standards and Guidelines which supports ICT implementation for effective delivery have been developed and has also established an ICT steering committee to spearhead the implementation of ICT related matters, no documentary evidence was provided for audit review.

In the circumstances, the Management's ability to identify threats or risks and definition of strategy to eliminate or minimize the impact of the risks could not be confirmed.

852. Lack of Valuation Roll

The statement of performance against county predetermined objectives for the year ended 30 June, 2021 indicated that the County's 2018-2022 County Intergrated Development Plan (CIDP) had identified key strategic development objectives which included operationalization of a County Valuation Roll which outlines the properties within a county's jurisdiction and enables a County Executive to value land. The operationalization of the policy was subsequently costed and included in the procurement plan for the year under review at an estimated cost of Kshs.4,018,481 with the contract expected to be signed in December, 2020. However, as at the time of audit, the process was yet to commence and no documentation was provided to confirm otherwise despite the Siaya County Valuation and Rating Bill, 2019 having been introduced in the County Assembly in February, 2021.

Although Management has explained that the valuation roll was presented to the County Assembly for approval and enactment on 20 December, 2021 the process was not completed.

In the circumstances, the County Executive may not realise the anticipated revenue targets and thus may not implement all the planned projects and programs.

853. Compensation of Employees Payments Outside Payroll

Included in the compensation of employee's balance of Kshs.2,171,614,033 is an amount totalling Kshs.5,642,979 paid to twenty (20) employees outside the Integrated Payroll and Personnel Database (IPPD) system.

Although Management has explained that the payments were in respect of leave commutations, baggage allowance and top up of salaries for state officers as their salaries

had not been configured in the IPPD, no reason has been provided for the delay in configuring additional benefits into the payroll system since 2018.

In the circumstances, existence of effective controls on payment of salary could not be confirmed.

COUNTY EXECUTIVE OF KISUMU - NO.42

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

854. Unsupported Receipts

The statement of receipts and payments reflects total receipts of Kshs.10,176,279,174 which has not been supported by ledgers from the Integrated Financial Management Information System (IFMIS).

Further, total receipts include County own generated receipts of Kshs.1,248,063,960 which includes unknown revenue generated using a mobile money platform through sixty-five (65) paybill accounts. However, the revenue statements from the service provider were not provided for audit.

In addition, the Finance Act, 2020 indicated that various departments were to collect revenue on behalf of the County Government. However, supporting documents for revenue collected by the Departments such as bank statements, official receipts and Control Collection Sheets (C.C.S) were not provided for audit verification except for Department of Health. The accountability by the collecting Departments was not evident and therefore receiving and banking in the County Revenue Fund Account as required by law could not be confirmed.

In the circumstances, the regularity, completeness and accuracy of total receipts of Kshs.10,176,279,174 could not be confirmed.

855. Unsupported Adjustments in the Financial Statements

The Management submitted financial statements to the Auditor-General 30 September, 2021 in line with Public Finance Management Act, 2012. A revised set of financial statements was submitted on 21 March, 2022 but journal entries to support the changes in the previous balances were not provided for audit review. Details were as shown below:

Financial Statements Item	FS Submitted on 30 September, 2021 (Kshs.)	FS Submitted on 21 March, 2022 (Kshs.)	Difference (Kshs.)
County Own Generated Receipts	931,267,782	1,248,063,960	316,796,178
Compensation of Employees	4,549,162,781	4,464,057,566	85,105,215
Use of Goods and Services	997,427,605	1,131,806,559	134,378,954
Other Grants and Transfers	308,528,723	291,194,619	17,334,104
Transfer to Other Government Entities	2,765,334,249	2,644,103,952	121,230,297
Social Security Benefits	32,445,061	21,305,587	11,139,474
Acquisition of Assets	1,187,362,816	1,215,902,542	28,539,726
Cash and Cash Equivalents	2,506,649,259	2,458,254,901	48,394,358
Prior Year Adjustment	593,847,752	156,437,320	437,410,432

In the circumstances, the accuracy of the financial statements could not be confirmed.

856. Unsupported Wages

The statements of receipts and payments reflects an amount of Kshs.4,464,057,566 in respect of compensation of employees. However, the payroll provided to support the expenditure had an amount of Kshs.4,080,858,578 resulting to a variance of Kshs.383,198,988. Management provided an analysis for the variance, leaving an unexplained variance of Kshs.69,580,147.

In the circumstances, the accuracy of the compensation of employees amounting to Kshs.4,464,057,566 could not be confirmed.

857. Unsupported Use of Goods and Services

The statement of receipts and payments and as disclosed in Note 7 to the financial statements reflects use of goods and services expenditure amounting to Kshs.1,131,806,559. However, expenditures totalling to Kshs.133,973,007 were charged to various unrelated items.

Further, the expenditure includes an amount of Kshs.97,275,692 paid and charged under various expenditure lines that have not been supported by relevant documentation.

In the circumstances, the accuracy and iregularity for use of goods and services expenditure amounting to Kshs.231,248,699 could not be confirmed.

858. Unsupported Legal Fees in Relation to Collection of Rates

The statement of receipts and payments reflects expenditure on use of goods and services of Kshs.1,131,806,559 as disclosed in Note 7 to the financial statements. Included in the amount is Kshs.181,319,305 in respect of other operating expenses out of which an amount of Kshs.46,572,175 relates to legal fees for cases between the County Executive and a law firm engaged for debt (rates) collection by the defunct Municipal Council of Kisumu. However, the following issues were noted in respect of the legal fees paid so far.

i) According to case in the High Court of Kisumu, the law firm was engaged by the defunct Municipal Council of Kisumu to collect and remit outstanding rates and the firm was to retain 15% of the rates collected as their fees for the service.

ii) The firm collected receipts of over Kshs.40 Million as un paid rates but failed to remit the money to the defunct Municipal Council of Kisumu or their successor as per the Affidavit by the former Chief Officer Department of Finance dated 16 May, 2017.

iii) The contracted law firm further sought from the Court and had the certificate of costs pursuant to the taxation judgement entered in favour of the law firm against the County Executive for an amount of Kshs.148,249,466 including interests at court rates from 07 December, 2015. The court allowed parties to agree on mode of settlement as per the Court order.

iv) The two parties entered into consent and from records arising from the consent, the Court ordered that the outstanding decretal debt that stood at Kshs.115,000,000 in respect of the law firm be paid in three instalments.

v) According to the report of Auditor-General for the year 2017/2018, the County had so far paid a total of Kshs.141,702,730 towards the legal fees. During the period under review, an amount of Kshs.20,000,000 was paid by the County Executive. However, the register, reconciliation and advocate fee note in respect to the legal fees charged was not provided for audit.

In the circumstances, the regularity of expenditure of Kshs.46,572,172 could not be confirmed.

859. Unsupported Claim by a Fabrication Company

A law firm sent a demand letter on November, 2020 on behalf of a company indicating that the County Executive had an outstanding statement of account balance of Kshs.98,885,826.

However, the outstanding balance was not supported by fee notes and the County Executive did not maintain register to show the origin of the decretal amounts, interest accrued, amount paid and balances outstanding.

Further, information available indicated that a Special Executive Committee meeting held on 22 June, 2021 on Resubmission of Pending Bills (Claimed by fabrication company and rate collecting Law Firm), resolved that the agenda be shelved pending discussion between the Governor, County Attorney and County Executive Committee Member (CECM) Finance. The Attorney was also to seek an opinion from the Attorney General and pursue the matter further with CECM for Finance. However, there was no evidence that the consent entered into in the case dated 28 July, 2021 was sanctioned and approved as required.

In addition, Management did not maintain legal files containing professional opinions from the County Attorney for each case, on whether the fee notes presented by the advocates were properly payable.

In the circumstances, the accuracy and regularity of the expenditure on legal fees amounting to Kshs.56,572,175 could not be confirmed.

860. Unsupported Expenditure on Other Capital Grants and Transfers

The statement of receipts and payments reflects an amount of Kshs.2,644,103,952 for transfers to other Government entities which includes an amount of Kshs.935,315,351 in respect of other capital grants and transfers. The other capital grants and transfers includes payments amounting to Kshs.816,696,249 to County Projects which were expensed at the point of transfer and had no supporting documents to support how the monies were utilised. No explanation was provided as to why inter-bank transfers within the County Executive were treated as expenditure.

Further, payments totalling to Kshs.414,502,177 made to Jaramogi Oginga Odinga Teaching and referral Hospital were not supported by expenditure returns.

In the circumstances, the accuracy, regularity and completeness of other capital grants and transfers of Kshs.935,315,351 could not be ascertained.

861. Unremitted Employee Pension Contributions

The statement of receipts and payments reflects social security benefits payments of Kshs.21,305,587. However, information available, indicated that the County Executive had not remitted retirement contributions to the various retirement benefit schemes amounting to Kshs.86,808,583 and which attracted accrued interest of Kshs.247,485,837. The County Executive was thus required to pay an amount of Kshs.334,294,420 in respect of unremitted statutory deductions as at 30 June, 2021

In the circumstances, the regularity of accrued interest of Kshs.247,485,837 could not be confirmed.

862. Inaccuracies in Cash and Cash Equivalents

The statement of assets and liabilities reflects bank balance of Kshs.2,457,925,416 and as disclosed in Note12A to the financial statements. Included in the balance is Kisumu County development account balance of Kshs.355,765. Review of the development bank reconciliation statement revealed a payment in cash book not recorded in bank statement of Kshs.41,737,955 paid to Jaramogi Oginga Odinga Teaching and Referral Hospital which was not reflected in the Hospitals bank reconciliation statement as uncredited receipts.

Further, included in Note 12A to the financial statements is Kisumu County recurrent bank account balance of Kshs.17,364. Review of the bank reconciliation statement revealed unpresented cheques amounting to Kshs.100,078,922 transferred to various bank accounts within the County and which were not included in the corresponding bank reconciliations as uncredited receipts.

In addition, the Kisumu County recurrent bank reconciliation statement includes an unpresented cheque of Kshs.18,940,133 paid to Kisumu East District Hospital. However, transactions relating to the hospital and the subsequent balance in the hospital bank account has not been disclosed in the financial statements.

In the circumstances, the completeness and accuracy of bank balances of Kshs.2,457,925,416 could not be confirmed.

Other Matter

863. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.11,968,434,257 and Kshs.10,176,279,174 respectively resulting to an under-funding of Kshs.1,792,155,083 or

15% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.11,968,434,257 and Kshs.9,768,370,824 respectively resulting to an under-expenditure of Kshs.2,200,063,433 or 18% of the budget.

The under funding and expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

864. Late Exchequer Releases

The statement of receipts and payments for the year ended 30 June, 2021 reflect exchequer issues balance of 7,793,347,740 out of which Kshs.2,290,194,000 was received in the Months of June and July, 2021.

Late exchequer releases affect the ability of the County Executive to meet its financial obligations in rendering the services to the residents of Kisumu County.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

865. Non-Compliance with the Law on Budget Allocation to the County Assembly

During the year, the County Assembly of Kisumu had an approved budget of Kshs.738,793,294 which is equivalent to 7.25% of the total revenue of the County Executive of Kshs.10,176,279,174. This is contrary to Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015, which states that the approved expenditure of a County Assembly shall not exceed seven per cent of the total revenue of the county government or twice the personnel emoluments of that County Assembly, whichever is lower.

In the circumstances, Management was in breach of the law.

866. Non-Compliance with the Law on Fiscal Responsibility- Wage Bill

The statement of receipts and payments reflects expenditure on compensation of employees of Kshs.4,464,057,566. The expenditure is approximately 44% of the total revenue of Kshs.10,176,160,587 which is in excess of the set limit of 35% as per Regulation 25(1)(b) of the Public Finance Management (County Government) Regulations, 2015 which requires the limit on the County Governments expenditure on wages and benefits for its public officers at 35% of the County Government's total revenue.

In the circumstances, Management was in breach of the law.

867. Non-Compliance with Law on Staff Ethnic Composition

During the year under review, the total number of employees was three thousand seven hundred and twenty (3,720) out of whom three thousand one hundred and twenty five (3,125) or 84 % of the total number were members of the same/dominant ethnic community in the County. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, “all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community”.

In the circumstances, Management was in breach of the law.

868. Payment of Goods and Services to Unregistered Suppliers

The statement of receipts and payments reflects expenditure on use of goods and services amounting to Kshs.1,131,806,559 as disclosed in Note 7 to the financial statements. The expenditure includes hospitality supplies and services expenditure of Kshs.82,459,515 out of which an amount of Kshs.2,228,983 relates to boards, committees, conferences and seminars paid to two local hotels which were not prequalified. Tender documents and signed attendance list were also not provided for review.

Further, the statement reflects acquisition of assets expenditure of Kshs.1,215,902,542 which includes purchase of certified seeds, breeding stock and live animals amount of Kshs.9,096,150 as disclosed at Note 11 to the financial statements. The amount includes a payment of Kshs.1,994,580 in respect of supply and delivery of planting fertilizer. Although the lowest bidder awarded the contract was prequalified, two of the firms that were invited to quote for the supply were not among the prequalified suppliers.

In addition, the acquisition of assets expenditure includes an amount of Kshs.9,096,150 for research, studies, project preparation and supervision out of which Kshs.2,000,000 was paid to a supplier on 16 June, 2021 for consultancy development of cooperative policy but the firms which tendered for the consultancy were not prequalified.

In the circumstances, Management was in breach of the law.

869. Irregular Payment of Annual Subscription of Council of Governors

During the year under review, an amount of Kshs.5,750,000 was paid to the Council of Governors in respect of annual subscription and charged to various expenditure items since the expenditure was not budgeted. An amount of Kshs.2,750,000 was charged to domestic travel and subsistence, Kshs.1,830,000 to operating expenses under use of goods and services as disclosed in Note 7 and Kshs.1,170,000 to other capital grants under transfers to other Government entities as disclosed in Note 8 to the financial statements. No explanation has been provided by Management for making payments that were not budgeted.

In the circumstances, the propriety of the expenditure could not be confirmed.

870. Completion of Nyangore Dispensary

The statement of receipts and payments reflects expenditure acquisition of assets amount of Kshs.1,215,902,542 as disclosed in Note 11 to the financial statements. The expenditure includes an amount of Kshs.117,652,074 for construction of building out of which an amount of Kshs.999,451 relates to completion of Nyangore Dispensary. Review of procurement documents revealed that request for quotation procurement method was used and only two firms returned their bids and evaluated. This is contrary to Section 106 (2) (d) of the Public Procurement and Asset Disposal Act, 2015 which requires evaluation to be carried out on at least three (3) quotations. Further the two firms were not prequalified under the respective category.

In the circumstances, Management was in breach of the law.

871. Failure to Establish County Emergency Fund

The statement of receipts and payments reflects other grants and transfers expenditure of Kshs.291,194,619 as disclosed in Note 9 to the financial statements. The expenditure includes emergency relief and refugee assistance amount of Kshs.86,194,619 and relates to emergency activities and operations including assistance to the flood victims. However, Management did not establish County Emergency Fund to carter for such emergencies contrary to Section 110 of the Public Finance Management Act, 2012.

In the circumstances, Management was in breach of the law.

872. Summary of Non-Current Asset Register

The summary of non-current Assets Register at Annex 6 to the financial statements reflects assets balance of Kshs.6,262,139,791 which comprise historical cost balance brought forward of Kshs.5,074,776,975 and additions during the year amounting to Kshs.1,215,902,542. However, the asset register maintained did not include land valued at Kshs.2,753,928,477 and buildings and structures valued at Kshs.1,165,005,023.

Further, the register reflects work in progress/other inventory brought forward balance of Kshs.15,000,000. However, the Management did not provide supporting document in support of the asset's category to which the work in progress balance of Kshs.15,000,000 was charged.

In addition, the non-current assets balance of Kshs.6,262,139,791 as disclosed in the summary of non-current assets register balance is said to include unknown value of non-current assets inherited from the defunct local authorities which included land and buildings, transport equipment, office equipment and intangible assets. However, there was no documentary evidence to support the existence, ownership and valuation of these assets. Further, the Management has no policy relating to assets management.

In the circumstances, the existence, accuracy and ownership of assets disclosed in the non-current assets register could not be confirmed.

873. Non-Remittance of Revenue to County Revenue Fund

The statement of receipts and payments reflects County Own Generated Receipts of Kshs.1,248,063,960 as disclosed in Note 4 to the financial statements. However, the Revenue Collection Account had Kshs.72,224,115 collected but not transferred to the County Revenue Fund account as at 30 June, 2021 and no reason was provided for the non-remittance.

In the circumstances, the propriety of the unbanked revenue could not be confirmed.

874. Non-Compliance with the Law on Management of Imprests

The statement of assets and liabilities as at 30 June, 2021 reflects accounts receivables balance of Kshs.87,465,098 in respect of outstanding imprest which ought to have been surrendered before 30 June, 2021 but was still outstanding as at the end of the year. Further, some imprest relate to 2019/2020 and earlier years while some officers held multiple imprests as at the end of the year contrary to Regulation 93(5) of the Public Finance (County Governments) Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station.

In the circumstances, Management was in breach of the law.

875. Acquisition of Assets

The statement of receipts and payments and as disclosed in Note 11 to the financial statements reflects acquisition of assets amount of Kshs.1,215,902,542. The following unsatisfactory matters were noted:

875.1 Unsatisfactory Construction of Roads

The expenditure includes construction of roads amount of Kshs.194,037,391 as disclosed at Note 11 to the financial statements out of which an expenditure of Kshs.5,060,234 relates to improvement of Holo-Huma Access Road. However, physical verifications conducted in November, 2021 revealed poor workmanship on the drainage which has resulted to part of the road being cut off.

Further, construction of roads includes an amount of Kshs.6,798,047 spent on improvement of Akado-Okiro-Ridore-Achola Junction Access road. According to the work plan, the road was to cover 5.7 Kms. However, physical verifications in November, 2021 revealed that the road was improved up to 0.7Kms. The Management has not explained the reason for non delivery of service by the contractor even though full payment was made.

In the circumstances, the regularity and value for money for the expenditure of Kshs.11,858,281 could not be ascertained.

875.2 Irregular Purchase of Fleet Management System

Included in the acquisition of assets is an amount of Kshs.54,789,000 in respect of purchase of vehicles and other transport equipment which includes an amount of Kshs.19,847,400 for purchase of fleet tracking management system. However, the detailed user requirement specification agreement signed between the County Executive and the seller, pre-system development report detailing the nature of system to be procured and system implementation progress review reports and verification and acceptance reports were not provided for audit. Further, even though the system provider is said to have supplied accessories for implementing the system no details of how they were received and issued out to users were provided for audit review.

In the circumstances, the regularity of the expenditure of Kshs.19,847,400 could not be ascertained.

875.3 Unsatisfactory Construction of Market

Included in the acquisition of assets is an amount of Kshs.117,652,074 for construction of buildings. The amount includes an amount of Kshs.13,773,602 for construction of modern retail market at Kombewa market, Seme Sub-county. However, physical verifications conducted in November, 2021 revealed poor workmanship in the construction of the market evidenced by worn out cement floor and cracks on the stalls slabs even before the lapse of the defects liability period of one year.

In the circumstances, it has not been possible to ascertain the public obtained value for money amounting to Kshs.13,773,602 spent on the Project.

876. Pending Bills

Annexure 2 to the financial statements reflects pending accounts payable balance of Kshs.1,950,176,560 as at 30 June, 2021. However, the schedule of pending bills provided supported a balance of Kshs.2,098,178,050 resulting to a variance of Kshs.148,001,490 which has not been explained.

Further, pending bills due to KEMSA amounting to Kshs.41,393,528 was excluded from the balance Kshs.1,950,176,560 as at 30 June, 2021 and no reason was provided.

In addition, according to the supporting schedule, some of the pending bills have been outstanding since 2013 and no reason has been provided as to why the same have not been cleared contrary to Regulation 41(2) of Public Finance Management (County Governments) Regulations, 2015 which states that pending bills are to form the first charge to the subsequent period budget.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

877. Failure to Integrate Revenue Collection System

During the year under review the County executive had revenue collection systems which included County-Pro-Integrated Hospital Management System, LAIFOMS, e-citizen and County Departments. However, the systems are not integrated to enable easier and accurate reporting on revenue.

In the circumstances, lack of integration may lead to inaccuracy on revenue amount reported.

878. Integrity of Payroll Data in IPPD

The statement of receipts and payments reflects amount of Kshs.4,464,057,566 under compensation of employees. A review of the monthly payroll data, bank remittance data and master data, revealed that during the month of July, 2020 eight (8) employees shared bank account numbers while in the month of March, 2021, two (2) employees shared bank accounts.

In the circumstances, the integrity of payroll data may be compromised.

COUNTY EXECUTIVE OF HOMA BAY - NO.43

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

879. Inaccuracies in County Own Generated Receipts

As disclosed in Note 5 to the financial statements, the statement of receipts and payments reflects County own generated receipts totalling to Kshs.233,869,476 which include housing fees of Kshs.19,200 paid by the tenants occupying houses owned by the County Executive. However, Management had budgeted the year's housing fees receipts at Kshs.2,124,000 based on the inventory of the County owned houses. The resulting difference of Kshs.2,104,800 between the projected and actual amount collected was not explained.

In addition, available rental income records revealed that arrears owed by employees of the County Executive as at 30 June, 2021 amounted to Kshs.4,305,800 with some of the debts dating back to the 2013/2014 financial year. However, the arrears have not been disclosed in the financial statements and no explanation was provided for failure to recover the debts from the employees' monthly salaries.

Further, revenue records revealed a nil collection on liquor licensing fees against a budgeted amount of Kshs.2,845,035 for the year under review. Further, Management did not prepare and submit for audit the financial statements of the Alcoholic Drinks Control Fund. In addition, other important records including bank statements, lists of liquor outlets and licenses issued, were not provided for audit review.

In the circumstances, the accuracy and regularity of County own generated receipts of Kshs.233,869,476 could not be confirmed.

880. Compensation of Employees Payments made Outside the Integrated Payroll and Personnel Database (IPPD)

As disclosed in Note 6 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.3,046,590,411 in respect of compensation of employees. The expenditure further includes an amount of Kshs.2,882,972,003 in respect of basic salaries out of which Kshs.238,500,097 or 8.3% was processed manually outside the IPPD system. The manual system requires manual calculation of deductions and net pay by the human resource officers and regular monthly and/or annual updates which are prone to human error. No satisfactory reason was provided as to why Management did not pay all its employees using the IPPD system.

In the circumstances, the accuracy, iregularity and completeness of the expenditure of Kshs.238,500,097 in respect of compensation of employees could not be confirmed.

881. Unsupported Use of Goods and Services

As disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects an expenditure on use of goods and services amount of Kshs.723,640,750 which includes an amount of Kshs.48,588,801 for contracted professional services. The latter amount further includes an expenditure of Kshs.3,049,500 incurred on survey of mineral sites services. The scope of works involved survey of mining zones to establish the extent of minerals in eight (8) Sub-counties; produce and retrieve mineral quantities in data base; and submit a final report. However, review of records revealed that the consultant had been paid fully whereas a final report indicating the mineral quantities in the data base had not yet been submitted to the County Executive.

In the circumstances, the regularity of the expenditure of Kshs.3,049,500 could not be confirmed.

882. Unsupported Expenditure on Construction of Roads

As disclosed in Note 11 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.1,539,640,946 on acquisition of assets. Included in the expenditure is an amount of Kshs.505,041,092 relating to construction of major roads, access roads and bridges out of which payments of Kshs.81,642,198 for thirteen (13) projects implemented were made during the year. However, the tender documents supporting the expenditure including the tender evaluation reports and certificates of professional opinions were not provided for audit.

In the circumstances, the regularity, completeness and accuracy of the expenditure of Kshs.81,642,198 could not be confirmed.

883. Payments Outside the Integrated Financial Management Information System (IFMIS)

Review of the bank statements for development and recurrent accounts maintained at the Central Bank of Kenya revealed transfer of cash to departmental operations accounts amounting to Kshs.63,149,509. The funds were used to pay both recurrent and development expenditure at the various departmental levels. However, the transactions were made outside IFMIS. It was noted that the respective payment vouchers were however used to support these payments as they were not captured in the IFMIS general ledger. This means that the County Executive's expenditure as per the ledger was understated by the amount of Kshs.63,149,509.

In the circumstances, the iregularity, accuracy and completeness of the payments of Kshs.63,149,509 made outside IFMIS could not be confirmed.

Other Matter

884. Budgetary Control and Performance

The summary statement of appropriation – recurrent and development comnbines reflects that six (6) recognized revenue streams of the County Executive with a projected total

revenue of Kshs.7,504,085 in the year under review recorded a nil collection. Similarly, the statement reflects that the County Executive's total approved expenditure budget was Kshs.8,984,932,611 for the financial year 2020/2021 while a total of Kshs.6,781,765,725 was actually spent, resulting in a net under expenditure of Kshs.2,203,166,886 or 25%.

The under-collection and under-utilization of funds may have impacted negatively on the delivery of goods and services to the residents of Homa Bay County.

885. Pending Bills

Annex 5 to the financial statements reflects pending account payables amounting to Kshs.536,519,863 which were not settled during the year under review but were carried forward to the 2021/2022 financial year. This is despite the fact that the County Executive reported a surplus of Kshs.1,459,455,441 in the statement of receipts and payments.

Further, examination of the supporting schedules provided shows that the pending bills balance excludes bills totalling to Kshs.24,245,882 owed to Kenya Power and Lighting Company (KPLC) and relating to projects/services as communicated by the National Treasury through Circular No.16/2021, dated 22 December, 2021 the reported pending accounts payable balance of Kshs.536,519,863 as at 30 June, 2021 is under-stated.

Failure to settle bills during the year to which they relate to distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

886. Late Exchequer Releases

Note 1 to the financial statements reflects exchequer releases of Kshs.7,321,214,700, out of which an amount of Kshs.1,685,362,500 was disbursed late in the month of June, 2021.

In addition, an amount of Kshs.573,023,250 was released on 02 July, 2021 by The National Treasury.

The late release of the exchequer amounts may have had adverse effects on the implementation of the planned activities and projects by the County Executive.

887. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Government. However, Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

888. Outstanding Imprests

As disclosed in Note 15 to the financial statements, the statement of assets and liabilities reflects accounts receivables - outstanding imprests of Kshs.14,000,000 which were not surrendered within seven (7) days after the imprest holders had returned to their duty station. This is contrary to Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to the duty station.

In the circumstances, Management was in breach of the law.

889. Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

As disclosed in Note 6 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.3,046,590,411 in respect of compensation of employees which translates to 37% of the total County Executive's receipts of Kshs.8,241,221,166. This is contrary to Regulations 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015, which states that the County Government expenditure on wages and benefits for public officers should not exceed 35% of the County Government total revenue.

In the circumstances, Management was in breach of the law.

890. Irregular Personal Allowances Paid as Part of Salaries

The expenditure of Kshs.3,046,590,411 in respect of compensation of employees includes an amount of Kshs.157,118,409 relating to personal allowances paid as part of salaries. Review of manual payrolls for the year under review revealed that allowances amounting to Kshs.1,644,000 which comprised of non-practicing allowance - Kshs.864,000, extraneous allowance - Kshs.420,000, and emergency call allowance - Kshs.360,000 were paid to a member of the County Executive Committee (CEC) in the year under review. Management did not provide any approval for the payment of the allowances from the Salaries and Remuneration Commission.

The payments were made contrary to the Kenya Gazette No.6518 of Vol. CXIX, Notice No.89 dated 07 July, 2017 on remuneration and benefits for state officers in the County Government which requires members of the County Executive Committee (CEC) to be paid a gross wage remunerative package of Kshs.259,875 per month. Further the gazette notice states that any benefits and allowances not specified in the gazette notice are not payable unless otherwise set by the Salaries and Remuneration Commission (SRC).

In the circumstances, Management was in breach of the law.

891. Non-Remittance of Payroll Deductions

Review of the records indicated that Management made deductions in respect of pay as you earn (PAYE) totalling to Kshs.528,142,572. However, review of the bank account funds transfers records and Kenya Revenue Authority (KRA) payment slips revealed that only an amount of Kshs.223,460,774 was remitted, leaving a balance of Kshs.304,681,798 or 58% unsurrendered. This was contrary to Rule 10 of the Income Tax (P.A.Y.E) Rules, under the Income Tax Act, Cap 470 of the Laws of Kenya, which sets the due date for paying PAYE deductions by an employer at "before the tenth day following the end of every month or before any other day which may be notified to him by the Commissioner.

Further, the Management made deductions in respect of National Hospital Insurance Fund (NHIF) totalling to Kshs.63,437,950. However, an amount of Kshs.10,800,250 was remitted, leaving a balance of Kshs.52,637,700 or 83%. This was contrary to Section 15 of the National Hospital Insurance Fund Act,1998 and Regulation 5 of the National Hospital Insurance Fund (Standard and Special Contributions) Regulations that set the due date for paying in of NHIF deductions at the first day of the month following the one deduction is made.

In addition, Management made deductions in respect of National Social Security Fund (NSSF) totalling Kshs.9,824,657. However, an amount of Kshs.2,506,400 was remitted, leaving a balance of Kshs.7,318,257 or 74%. This is contrary to Section 27(1) of the National Social Security Fund Act, 2013 which prescribes that deductions are to be paid in within one month after the end of the month in which the last day of the contribution period fell.

Further, Management made pensions deductions totalling to Kshs.166,512,645, comprising Local Authority Pension Fund (LAPF) of Kshs.124,480,651 and Local Authority Trust Fund (LAPTRUST) of Kshs.42,031,993. However, an amount of Kshs.27,108,954 was remitted, leaving a balance of Kshs.139,403,691 or 84% comprising of LAPF - Kshs.104,123,962 and LAPTRUST- Kshs.35,279,729.

In the circumstances, Management was in breach of the law and the County Executive risks incurring avoidable costs in form of penalties and interest.

892. Staff Ethnic Composition

Review of personnel records revealed that the County Executive had a staff composition of 4,590 members as at 30 June, 2021 out of whom 4,302 or 94% comprised members of the ethnic community dominant in the County. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community".

In the circumstances, Management was is in breach of the law.

893. Officers on Acting and Delegation of Duty

Review of employee records revealed that thirteen (13) employees were acting or had delegated functions without the requisite appointment letters. Further, the acting/delegation period was not determined and it was not possible to confirm whether they had been acting within the time limit as prescribed in Section 34(3) of the Public Service Commission Act 2017, which states that, “an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of six months.”

In the circumstances, Management was in breach of the law.

894. Acquisition of Assets

As disclosed in Note 11 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.1,539,640,946 on acquisition of assets. The following observations were made:

894.1 Unsatisfactory Construction of Buildings

The expenditure of Kshs.1,539,640,946 on acquisition of assets includes an amount of Kshs.280,858,964 relating to construction of buildings out of which an amount of Kshs.2,916,289 was paid to a contractor as part payment for rehabilitation of the existing water supply system at Tom Mboya Hospital Level 4 in Rusinga at a contract sum of Kshs.5,005,975. The scope of works involved construction of pump house, pump set and associated accessories, storage tank, and water treatment plant and pipe work. The works were completed and handed over on 08 March, 2021.

However, physical verification of the Project carried out in the month of November, 2021 revealed that although the purchase and installation of the ultra-filtration unit was complete, the unit was not operational. Further, although the contractor was to provide cost free warranty period of at least 12 months up to January, 2022, Management did not explain why the situation had not been rectified.

In the circumstances, the value for money of the expenditure of Kshs.2,916,289 could not be ascertained.

894.2 Other Infrastructure and Civil Works

The expenditure on acquisition of assets includes an amount of Kshs.586,587,756 for infrastructure and civil works. The following observations were made:

894.2.1 Delayed Construction of Water Pan

The expenditure includes an amount of Kshs.3,764,952 that was paid to a contractor in respect of construction of Obanda Water Pan which had been awarded at a contract sum

of Kshs.4,578,568. A physical verification carried out in the month of October, 2021 revealed that the works were incomplete and the contractor was not on site.

In the circumstances, the propriety and value for money of the amount of Kshs.3,764,952 could not be confirmed.

894.2.2 Delayed Extension of Community Water Project

Further, the expenditure includes an amount of Kshs.2,458,190 paid to a contractor in respect of the extension of Kanyach Kachar Community water project which had been awarded at a contract sum of Kshs.7,014,604. A physical verification carried out in the month of October, 2021 revealed that major works including intake works (panel works) and pumping set were incomplete.

In the circumstances, the propriety and value for money for the amount of Kshs.2,458,190 could not be confirmed.

894.2.3 Construction of Post-Harvest Grain Handling Facility at Kigoto

In addition, the expenditure includes an amount of Kshs.5,700,000 paid in respect of construction of a Post-Harvest Grain Handling Facility-Suba North Sub-county. The contract was awarded in the financial year 2015/2016 at a contract sum of Kshs.23,139,180 and was to be carried out in forty-two (42) weeks with a commencement date of 08 June, 2016. Variations on Bill of Quantities were done to the tune of Kshs.5,705,265 on 02 October, 2020 and there was a request for extension of contract by a period of seven (7) weeks by the contractor on 03 March, 2021.

Review of records and physical verification on 17 November, 2021 indicated that payments totalling Kshs.20,450,395 had been paid to the contractor to date. However, the project was yet to be completed and handed over to the County Executive more than five (5) years after the commence of the contract in June, 2016.

In the circumstances, the propriety and value for money for the expenditure of Kshs.20,450,395 incurred so far on the Project could not be confirmed.

894.2.4 Delay in Construction of Homa Bay Stadium

The expenditure also includes an amount of Kshs.46,199,668 paid to a contractor for Construction of Homa Bay County Stadium (Main works) VIP Pavilion/ Western wing at a contract sum of Kshs.369,781,250. The contract agreement was signed on 20 June, 2019 and the commencement date was 17 November, 2019 for a contract period of 18 months with the completion date set on 01 January, 2021.

Review of the records revealed the following anomalies:

i. The main Contractor had cumulatively been paid an amount of Kshs.159,190,955.

ii. Sites instructions, approvals for variations and correspondences had not been submitted by the Project Manager.

iii. According to the Bill of Quantities, there was a provision of Kshs.30,000,000 for internal plumbing, drainage, water storage tank, water reticulation and fire protection which had not been done.

iv. The provision in the Bill of Quantities for VIP Pavilion totaled to Kshs.125,199,950 and the site meeting minutes of July, 2021 indicated that overall work progress was at 80% and for the VIP Pavilion at 70%.

v. Two site meetings' minutes provided revealed that the deliberations were only about approval for the contractor to be paid without confirmation that works were commensurate with the payments.

Physical verification in October, 2021, revealed that construction works were incomplete and was behind schedule. This is despite the fact that the contract completion date had already been surpassed by ten (10) months.

In the circumstances, the propriety and value for money of the expenditure Kshs.159,190,955 incurred could not be confirmed.

894.2.5 Completion of Early Year Education (EYE) Classrooms

The expenditure also includes payments of Kshs.10,030,917 to various local contractors in respect of completion of Early Year Education (EYE) classrooms.

Physical verification in November, 2021, revealed instances of poor workmanship, delays in completion and abandonment of project site by contractors.

In the circumstances, it was not possible to ascertain if value for money had been achieved on the projects undertaken by the County Executive.

894.2.6 Construction of Market Kiosks at Magunga Market

The expenditure of Kshs.586,587,756 in respect to other infrastructure and civil works also includes payments totalling to Kshs.20,977,077 for construction, upgrading, murram, gravelling and construction of standard markets at Magunga Market. The contract was to be carried out in sixteen (16) weeks commencing 17 November, 2020 with the expected completion date of 17 February, 2021. The scope of works included FOSA offices, installation of gates, construction of standard kiosk, gravelling, levelling and murramming, culverts installation at access ring road.

Physical verification conducted in November, 2021 revealed instances of poor workmanship and delays in completion.

Stalled and delayed projects are an indication of wastage of public resources which will have adverse effects on delivery of goods and services to the residents of the County.

In the circumstances, the value for money for the expenditure of Kshs.20,977,097 incurred by the County Executive could not be ascertained.

894.3 Construction of Major Roads, Access Roads and Bridges

The expenditure on acquisition of assets of Kshs.1,539,640,946, further, includes an amount of Kshs.505,041,092 incurred on the construction of major roads, access roads and bridges out of which payments totalling to Kshs.21,407,985 were made for four (4) projects implemented during the year. However, the following unsatisfactory observations were noted regarding the four (4) projects:

894.3.1 Rabuor-Masawa- Sofia-Sango Road

The Project's contract was awarded at a cost of Kshs.3,434,911. Physical verification revealed that the road had already been cut off by running water as the drainage system was not done properly. It was also narrow due to encroachment by residents of Sofia Estate.

In addition, no documentary evidence was provided by the Management to confirm that there was additional budgetary allocation for maintenance and drainage works for this road.

894.3.2 Kawere-Wachara Road

The Project was contracted at a cost of Kshs.4,244,562. Physical verification revealed that the required culverts were not installed on the road as provided in the Bill of Quantities. In addition, out of the 5.7 Km distance of the road, only 2.5 Km. Although Management explained that this unsatisfactory situation was caused by budget constraints, the remaining works were not budgeted in the subsequent year (2021/2022).

894.3.3 Guogi-Komolo Junction - Kotieno Road

The contract for the road was awarded at a cost of Kshs.5,808,681. Physical verification revealed that no culverts were installed as provided for in the Bill of Quantities and sections of the road had been cut-off by running water. In addition, no documentary evidence was provided by Management to confirm that there was additional budgetary allocation for maintenance works for this road.

894.3.4 Waregi-Kamgere-Access to Safaricom Booster Road

The contract for the road was awarded at a cost of Kshs.7,919,831. Physical verification revealed that although construction of the road was complete, and it was open to the public for use, a section near a Safaricom booster was fenced off by a resident who was

claiming ownership of the land through which the road was lying, effectively blocking access and full use of the road.

In the circumstances, the propriety and value for money of the expenditure of Kshs.21,407,985 spent on the four (4) road projects could not be ascertained.

895. Stalled Construction of Kenya Medical Training College at Sindo

As previously reported, Management in the year 2015/2016 awarded a contract for construction of classrooms, an office and an ablution block at Kenya Medical Training College at Sindo in Suba North Sub-county at a contract sum of Kshs.18,650,109. The project was to be executed in eight (8) weeks starting from 18 October to 05 December, 2016. Documents provided for audit revealed that Management paid the contactor an amount of Kshs.9,646,565 in the 2017/2018 financial year. However, review of records and physical verification of the project site carried out in November, 2021, revealed that the works were abandoned at 45% level of completion.

In addition to denying potential learners and residents the required services and other benefits, the stalled project may result in wastage of public funds.

In the circumstances, the value for money of the expenditure could not be confirmed.

896. Undelivered Animal-Feeds Milling Equipment

As previously reported, the Department of Trade and Industrialization had in June, 2014 contracted a firm to supply and install a nine (9) ton-per-hour animal feed processing mill for the Homa Bay Feeds Industries Limited at a cost of Kshs.42,245,280. However, physical verification exercise carried out in November, 2021 revealed that the equipment had not been installed whereas payments totalling to Kshs.16,000,000 had been made to the contractor in the previous financial year.

In the circumstances, the propriety and value for money of the expenditure on the project could not be confirmed.

897. Unsatisfactory Implementation of Projects

Review of the Projects' implementation Status Report as at 30 June, 2021 revealed that projects budgeted at Kshs.2,311,837,168 were to be implemented. However, the County Executive actually implemented projects amounting to Kshs.1,539,640,946 during the year therefore leading to an under-absorption of Kshs.772,196,222 or 33% of the budgeted project.

Further, thirteen (13) projects with a total budget of Kshs.223,432,153 and actual expenditure of Kshs.124,879,863 had not been completed and were on-going as at 30 June, 2021. The Projects were expected to be completed by 30 June, 2021 but it was however noted that as of November, 2021, the projects had not been completed.

The slow pace of the projects' implementation may negatively affect service delivery to the residents of the County and the intended purpose of the projects may not be actualized.

In the circumstances, the value for money from the projects to the public could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

898. Lack of an Approved Staff Establishment

As previously reported, the County Executive has been operating without an approved staff establishment to ensure that appropriate systems, procedures, structures, skilled and competent staff are in place at the optimal level to deliver its mandate to the public.

In the circumstances, it was not possible to confirm whether the total number of staff in the employment of the County Executive is at the optimal operating level.

899. Lack of an Approved Information, Communication and Technology (ICT) Policy and Disaster Recovery Plan

As previously reported, there was no formal approved ICT Policy. The Management has not assessed the impact of an outage or disruption to the ICT systems and did not develop business continuity or Information Technology disaster recovery plan. In case of a disaster significant delays or disruptions of activities may occur. In addition, the County Executive may not recover or restore Critical Infrastructure Services and Systems affecting all operations that rely on the Information Communication and Technology.

In the circumstances, the integrity, security and reliability of the County Executive's financial data including its ICT could not be ascertained.

COUNTY EXECUTIVE OF MIGORI - NO.44

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

900. Inaccuracies in Rents and Rates

The statement of receipts and payments reflects County own generated receipts of Kshs.288,535,257 which, as disclosed in Note 4 to the financial statements, includes an amount of Kshs.7,604,497 in respect of rent and rates. However, review records revealed that the County Executive has been using a valuation roll developed in 2008 for Migori Municipal Council to determine the amount to be paid as rates. The valuation roll is obsolete and does not cover all the ratable properties or consider their current value.

In addition, revenue records indicated that the County Executive had uncollected land rent and rates arrears of Kshs.43,961,400 as at 30 June, 2021. However, ageing analysis was not provided to indicate how long the balance had been outstanding.

In the circumstances, the accuracy and completeness of the rents and rates of Kshs.7,604,497 could not be confirmed.

901. Payments of Salaries Outside the Integrated Personnel and Payroll Database (IPPD)

The statement of receipts and payments reflects an amount of Kshs.2,657,102,928 in respect of compensation of employees as disclosed in Note 6 to the financial statement. The expenditure includes an amount of Kshs.169,405,816 paid as salaries and allowances to seven hundred and thirty-one (731) permanent and contracted staff outside the Integrated Personnel and Payroll Database (IPPD) system. This is contrary to Clause 6.3 of the County Financial Accounting and Reporting Manual which requires salaries, allowances and/or arrears of the County Government staff to be processed on the Integrated Personnel and Payroll Database.

In addition, the manual system requires manual calculation of deductions and net pay by the human resource officers and regular monthly update which is prone to human error.

In the circumstances, the accuracy, regularity and completeness of the expenditure of Kshs.169,405,816 in respect of compensation of employees processed manually could not be confirmed.

902. Use of Goods and Services

The statement of receipts and payments reflects an amount of Kshs.1,791,790,093 in respect of use of goods and services as disclosed in Note 7 to the financial statements. The following observations were made:

902.1 Unsupported Legal Services

The expenditure includes an amount of Kshs.145,167,253 in respect of other operating expenses out of which an amount of Kshs.61,820,329 related to payment for legal services. However, the fee notes supporting the expenditure were not analyzed or properly tabulated to indicate the details of work done in conformity with the Advocates and Remuneration Order, 2014.

In the circumstances, the regularity and completeness of the legal fees expenditure of Kshs.61,820,329 could not be confirmed.

902.2 Unsupported Purchase of Medical Supplies

The expenditure includes an amount of Kshs.559,825,100 in respect of specialized materials and services out of which was an amount of Kshs.61,019,468 was paid on 25 November, 2020 to Kenya Medical Supplies Agency (KEMSA) for supply of pharmaceuticals. However, inspection and acceptance reports and counter receipt vouchers (S13) from the various beneficiary facilities were not provided to confirm receipt of the goods.

In the circumstances, the regularity of the expenditure of Kshs.61,019,468 could not be confirmed.

902.3 Unsupported Insurance Expenses

Included in the expenditure is an amount of Kshs.16,377,248 in respect of insurance costs out of which an amount of Kshs.15,606,939 was paid to a local insurance company on 26 April, 2021 for the insurance of motor vehicles. However, the valuation report for the motor vehicles insured was not provided for audit.

In the circumstances, the regularity of the expenditure of Kshs.15,606,939 on insurance services could not be confirmed.

903. Unsupported Transfers to Vocational Polytechnics

The statement of receipts and payments reflects Kshs.1,118,297,985 in respect of transfer to other Government units and as disclosed in Note 9 to the financial statements, the amount includespayments of Kshs.34,868,488 transferred to vocational polytechnics. However, the acknowledgement letters and returns on the utilization of the funds were not provided for audit.

In the circumstances, the regularity and completeness of the expenditure of Kshs.34,868,488 could not be confirmed.

904. Unsupported Bank Balances

The statement of assets and liabilities reflects a balance of Kshs.1,715,152,007 in respect of cash and cash equivalents as disclosed in Note 15A to the financial statements. However, bank confirmation certificates for eight (8) accounts maintained at Central Bank of Kenya with reported balances totalling to Kshs.1,373,024,390 were not provided for audit.

In the circumstances, the accuracy and completeness of the bank balances of Kshs.1,373,024,390 could not be confirmed.

905. Pending Bills

Disclosed in Annex 2 to the financial statements are account payables totalling to Kshs.1,278,814,175 as at 30 June, 2021. Further, examination of the supporting schedules indicated that the pending bills excludes a balance of Kshs.19,054,164 owed to Kenya Power & Lighting Company (KPLC) as communicated by The National Treasury through Circular No.16/2021, dated 22 December, 2021.

In the circumstances, the reported pending account payables balance of Kshs.1,278,814,175 may be understated to the extent of the omission.

Other Matter

906. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final budgeted receipts and actual amount on a comparable basis of Kshs.9,156,789,689 and Kshs.8,573,065,844 respectively, resulting in an under collection of Kshs.583,723,845 or 6% of the budget. Further, there was a significant under-collection on various revenue streams amounting to Kshs.43,343,772 from a budgeted amount of Kshs.118,100,000.

Simillarly, the statement reflects total expenditure budget of Kshs.9,156,789,689 and an actual expenditure of Kshs.8,306,695,870 resulting in overall under-expenditure of Kshs.850,093,819 or 9% of the budget.

The under realization of receipts may have impacted negatively on the delivery of services to the public.

907. Late Exchequer Releases

Note 1 to the financial statement reflects exchequer releases totalling to Kshs.7,355,586,000 which includes an amount of Kshs.1,693,275,000 received by the County Executive from The National Treasury towards the end of the month of June, 2021.

In addition, other exchequer releases of Kshs.575,713,500 were disbursed by The National Treasury in the month of July, 2021 for the budgeted funds for 2020/2021 financial year.

The late exchequer releases could have had adverse effects on the implementation of the planned activities and projects by the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

908. Underfunding of Migori County Ward Development Fund

Included in the transfers to other Government units of Kshs.1,118,297,985 in Note 9 to the financial statements is an amount of Kshs.303,000 in respect of transfer to the Migori Ward Development Fund. Review of the approved budget revealed that the County Executive had an annual budget of Kshs.8,149,955,464 for the year 2020/2021 and which would have translated, at the rate of 10%, to Kshs.814,995,546 for the Ward Fund. The non-remittance of the difference of Kshs.814,692,546 to the Ward Development Fund was not explained. In addition, the amount disbursed was also decreased from the Kshs.121,423,380 disbursed in the financial year 2019/2020.

This was contrary to Section 4(2)(a) of the Migori County Ward Development Fund Act, 2014 which states that, “the Fund shall consist of an amount of not less than ten percent of all the annual budget of the Migori County in every financial year.”

In the circumstances, Management ws in breach of the law.

909. Non-Compliance with the Law on Staff Ethnic Composition

Review of the Integrated Personnel and Payroll Database (IPPD) records for the month of June, 2021 revealed that the County Executive had a workforce of 2,491, out of whom 1,752 were members of the dominant community. This represents 70.3% of the total workforce contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 that requires public establishment to seek to represent the diversity of the people of Kenya in employment of staff.

In the circumstances, Management was in breach of the law.

910. Irregular Recruitment of Staff and Delayed Confirmation in Employment

Review of the County Public Service Board recruitment report 2020/2021 and the list of new appointees as per the payrolls revealed that the Board recruited two hundred and forty (240) staff against the budgeted one hundred and seventy-four (174) leading to excess recruitment of sixty-six (66) staff. The excess staff were recruited without due

consideration to the availability of a budget for their salaries and emoluments and departmental requirements contrary to the budgetary processes and provisions.

Further, an analysis of the Integrated Personnel and Payroll Database (IPPD) payroll for the month of June, 2021 also revealed that three hundred and five (305) officers had been on probation for more than six (6) months contrary to Section B.13(1) of the County Public Service Human Resource Manual.

In the circumstances, Management was in breach of the Human Resource Policy.

911. Non-Compliance with the Law on One Third of Basic Salary Rule

An audit of the County Executive's payroll for the month of June, 2021 revealed that a total of two hundred and four (204) officers were earning less than a third of their basic pay contrary to Section D22(2) of the County Public Service Human Resource Manual and Section 19(3) of the Employment Act, 2007 which prohibits an employer from deducting from the wages of his employee at any one time more than two-thirds of such wages.

In the circumstaces, Management was in breach of the law.

912. Irregular Employment of Casual Workers

Review of casual workers records revealed that there were four hundred and fifty (450) casual employees in the manual payroll who were paid wages amounting to Kshs.47,313,103 for more than 3 months. This is an indication that they had been engaged for more than the required 3 months and hence subject to conversion of the terms of engagement pursuant to paragraph 37(1)(b) of the Employment Act, 2007 which provides that; notwithstanding any provisions of this Act, where a casual employee performs work which cannot reasonably be expected to be completed within a period, or a number of working days amounting in the aggregate to the equivalent of three months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly and Section 35(1)(c) shall apply to that contract of service.

In the circumstances, Management was in breach of the law.

913. Unremitted Pension Deductions

Review of IPPD records indicated that the County Executive deductions in respect of Widows and Children Pension Scheme (WCPS) totalling to Kshs.3,921,550 were not remitted contrary to Section 53A(1) of the Retirement Benefits Act 1991 which provides that, where an employer fails to remit deductions from an employee's emoluments to a retirement benefits scheme within 15 days of the deduction, the scheme may institute proceedings for recovery of the deduction after giving the employer at least seven days' notice. Management risks being penalized for any amount that is subject to summary recovery proceedings at a compound interest rate of 3% per month.

In the circumstances, Management was in breach of the law.

914. Fencing of God Nyinyo Vocational and Training and Education College

The statement of receipts and payments reflects Kshs.1,118,297,985 in respect of transfers to other Government units' as disclosed in Note 9 to the financial statements. The amount includes payments of Kshs.34,868,488 relating to vocational polytechnics out of which a sum of Kshs.2,000,000 was paid to God Nyinyo Vocational Training and Education College for fencing. However, physical verification in November, 2021 revealed that the works had stalled.

In the circumstances, the value for money of the expenditure of Kshs.2,000,000 could not be confirmed.

915. Idle Ward Administrator and Member of County Assembly (MCA) Offices

The statement of receipts and payments reflects an amount of Kshs.2,524,141,949 in respect of acquisition of assets which includes an amount of Kshs.328,713,826 for construction of buildings out of which an amount of Kshs.5,490,364 and Kshs.9,833,494 was incurred on construction of Central Kamagambo MCA Office and South Sakwa ward Administrator's Office in Awendo respectively.

However, review of documents and physical verification revealed that the facilities have remained idle and unutilized despite being complete.

In the circumstances, funds totalling to Kshs.15,323,858 spent on these projects have not provided the expected benefits to the public.

916. Delayed Completion of Got Kachola and Kanyasa MCA Offices

The statement of receipts and payments reflects acquisition of assets expenditure of Kshs.2,524,141,949 as disclosed in Note 12 to the financial statements which includes an amount of Kshs.328,713,826 for construction of buildings out of which amounts of Kshs.4,864,649 and Kshs.1,325,927 were incurred towards the construction of Got Kachola and Kanyasa MCA Offices, respectively. Review of records revealed that the construction of the Got Kachola MCA offices was awarded to a local contractor at a contract sum of Kshs.5,574,310. The contract was to commence on 30 March, 2016 with a completion period of eight (8) months.

Similarly, a local contractor was awarded a contract for the construction of Kanyasa MCA office at a contract sum of Kshs.5,497,031, on 01 December, 2016 for a period of 20 weeks.

The amount paid to date to the contractors for the two projects totaled to Kshs.6,190,576 However, review of the contract documents and physical verification of the projects done in November, 2021 revealed that the Projects remain incomplete yet the contract period had expired over five (5) years ago.

In the circumstances, value for money may not have been achieved on the total expenditure of Kshs.6,190,576 incurred on these projects.

917. Construction and Civil Works

The statement of receipts and payments reflects an expenditure of Kshs.2,524,141,949 in respect of acquisition of assets and as disclosed in Note 12 to the financial statements, the amount includes an expenditure of Kshs.284,339,454 in respect of construction and civil works. However, the following anomalies were noted;

917.1 Completed and Projects

The expenditure of Kshs.284,339,454 in respect of construction and civil works includes an expenditure of Kshs.17,055,494 incurred towards the construction of six (6) market sheds across the County.

Further, the amount includes an expenditure of Kshs.22,842,706 incurred towards the construction of seven (7) dispensaries across the County.

However, physical verification of the projects revealed that they had been completed but not in use.

In the circumstances, the benefits expected from the may not have been realized by the residents of the public.

917.2 Delayed Construction of General Ward at Tisinye Dispensary

The expenditure includes an amount of Kshs.3,498,212 paid to a local contractor for construction of a General Ward in Tisinye Dispensary. However, physical verification of the project conducted in the month of November, 2021 revealed that the project was incomplete with the wall finishes, ceiling, floors and tiling, window panes, toilet fixtures and a placenta pit still pending.

In the circumstances, the benefits expected from the expenditure of Kshs.3,498,212 on the project may not have been realized.

917.3 Drilling and Equipping of Boreholes

The expenditure includes payments totalling to Kshs.74,917,357 made to various local contractors for drilling twenty-two (22) boreholes within the County. However, physical verification conducted in the month of November, 2021, revealed that the boreholes were not equipped with pumps and tanks and therefore the intended purpose of drilling the boreholes could not be achieved.

In the circumstances, the value for money of the expenditure of Kshs.74,917,357 could not be confirmed.

918. Construction of County Office Headquarters, Governor's and Deputy Governor's Residences

Annex 2 to the financial statements reflects a balance of Kshs.1,278,814,175 in respect of pending account payables which includes an amount of Kshs.165,585,844 related to construction of buildings out of which an amount of Kshs.56,146,900 was in respect of design and supervision of the proposed County Office Headquarters, Governor's and Deputy Governor's residences. The contract was awarded on 06 June, 2019 for a contract sum of Kshs.84,100,000.

An amount of Kshs.27,953,100 was paid during the 2019/2020 financial year upon submission of the proposed architectural drawings for the three structures. The consultant issued a fee note of Kshs.35,121,900 on 09 April, 2021. The contract implementation team evaluated the final designs and approved payment on 26 April, 2021. However, Management did not provide, for audit, invoices and certificates of work done.

Review of the project status revealed the following:

918.1 Construction of the Governor's Residence

The County Executive entered into a contract with a local contractor for the Construction of the Governor's residence on 31 August, 2020 for a contract sum of Kshs.44,900,000 and a contract period of one hundred and twenty (120) days. Available information indicated the existence of a dispute over the ownership of the land on which the project stands. The amount of Kshs.44,900,000 owed to the contractor for the proposed Construction of Governor's Residence has been included in the list of pending bills. Management did not provide for audit, engineers certificates of work done to confirm the amount as a pending bill.

918.2 Construction of the Deputy Governor's Residence

The County Executive entered into a contract with a local contractor for the construction of the Deputy Governor's residence on 31 August, 2020 for a contract sum of Kshs.35,887,180 and a contract period of one hundred and twenty (120) days. Approved development plans for the area and evidence of public participation for the Project were not provided for audit. The amount of Kshs.35,887,180 owed to the contractor for the proposed Construction of Deputy Governor's residence was included in the list of bending bills but was not supported by interim certificates of work done to confirm the amount as a pending bill.

Physical verification on 15 November, 2021, revealed that the construction of the proposed County Office Headquarters, Governor's and Deputy Governor's Residences had stalled with very little work having been done. The contractor was not on site and only some excavation had been done. A further review of the project records revealed that the County Executive terminated the contract on 14 October, 2021 due to the contractor abandoning the site and not providing a works program despite repeated reminders. No

evidence was provided to confirm whether Management had recalled the performance bond for non-performance by the contractor in line with Clause 14.1 of the contract. It was also observed that the project had been vandalized and the column steel rods had been cut. Management has also indicated that there exists a dispute over the ownership of the land on which the Project stands.

In the circumstances, value for money may not have been achieved on the total expenditure on the projects.

919. Account Payables-Deposits and Retention

The statement of assets and liabilities reflects a balance of Kshs.132,273,205 in respect of accounts payable-deposits and retentions as disclosed in Note 17 to the financial statements. However, the account is maintained in a commercial bank as opposed to Central Bank of Kenya contrary to the requirements of Regulation 82(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires all County Government bank accounts to be opened at the Central Bank of Kenya except for imprest bank accounts for petty cash.

In the circumstances, Management was in breach of law.

920. Failure to Submit Financial Statements of Migori County Alcoholic Drinks Fund

Review of records revealed that Migori County Alcoholic Fund had been established through Migori County Alcoholic Drinks Act, 2016. However, the Fund Administrator did not maintain books of account and records and/or submit the financial statements of the Fund to the Auditor-General for audit in line with Section 3(c)(d)(e) of the Migori County Alcoholic Drinks Act, 2016.

In the circumstances, Management was in breach of law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

921. Lack of an Approved Staff Establishment

Audit of the Migori County Executive staff complements and payroll details revealed that the County Executive does not have an approved staff establishment. The lack of an approved staff establishment implies that the County has yet to determine the skills and optimal staffing levels required to achieve its goals and objectives.

In the circumstances, it was not possible to ascertain whether the total staff in the employment of the County Executive was at the optimal operating level.

922. Lack of an Inventory Management System

Review of the procurement and receipt of pharmaceutical, non-pharmaceutical and medical equipment in the department of health revealed that, goods were not received through a central point but were directly taken to the various stores. It was further noted that the department uses a manual inventory management, and annual stock taking is not conducted to confirm the stock available and reconcile with store records.

In the circumstances, Management has not instituted proper mechanisms to safeguard the inventories.

923. Grounded Motor Vehicles and Machineries

Review of status of the County Executive fleet of motor vehicles and machineries indicated that sixty (60) vehicles and machineries across the departments were grounded and unserviceable in various garages within and outside the County. In addition, the County Executive did not prepare an annual disposal plan.

In the circumstances, the County risks losing the value of the unserviced assets due to deterioration.

924. Incomplete Assets Register

Annex 5 to the financial statements on Summary of Non-Current Asset Register reflects assets with a historical total cost of Kshs.11,512,127,779 as at 30 June, 2021. The County Executive did not however maintain an asset register in the format required under Regulation 136(1)(2) and (3) of Public Finance Management (County Governments) Regulations, 2015. The asset register did not show details of when the assets were acquired, their value and location. In addition, the Management did not provide for audit verification log books for two (2) tipper trucks acquired during the year at a cost of Kshs.19,908,000.

In the circumstances, the County Executive has not instituted proper mechanisms to record, safeguard, control and account for the non-current assets.

925. Missing Job Designations in the Integrated Personnel and Payroll Database (IPPD)

An audit of the Integrated Personnel and Payroll Database (IPPD) payroll for the month of June, 2021 revealed sixty-two (62) officers whose job designations were not defined in the database.

In the circumstances, their roles and functions in the County Executive could not be ascertained.

COUNTY EXECUTIVE OF KISII - NO.45

REPORT ON THE FINANCIAL STATEMENTS

Basis for Conclusion

926. There were no material issues noted during the audit of the financial statements.

Other Matter

927. Under-Collection of County Own Generated Revenue

The summary statement of appropriation - recurrent and development combined for the year ended 30 June, 2021 reflects final approved county own generated receipts budget of Kshs.650,000,000 against the actual receipts of Kshs.399,505,292, resulting in an under-collection of Kshs.250,494,708 or 39% of the budgeted amount.

Further, disclosed in Note 4 to the financial statements under county own generated receipts is an amount of Kshs.492,420 realized from the weights and measures stream. The amount was collected in the months of July, August and September, 2020 and June, 2021. However, in the months of October, 2020 to May, 2021, no revenue was collected from this stream because the Weights and Measures Unit offices, together with equipment at Gusii Sacco Building were locked up by the landlord indefinitely for non-payment of rent. No reason/explanation was provided for non-payment of rent resulting in revenue loss during the closure period.

928. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.12,671,280,940 and Kshs.10,436,551,856 respectively, resulting in an under receipts of Kshs.2,234,729,084 or 18% of the budget. Similarly, the County Executive spent Kshs.9,853,858,083 out of the approved expenditure budget of Kshs.12,671,280,940 resulting in under expenditure of Kshs.2,817,422,857 or 22% of the budget.

The under receipt of the budgeted funds and under-expenditure constrained execution of planned activities and delivery of services to the residents of Kisii County.

929. Late Exchequer Releases

The statement of receipts and payments reflects Exchequer releases of Kshs.8,972,275,529 as disclosed in Note 1 to the financial statements. The balance include an amount of Kshs.1,610,505,962 that was received by the County Executive from The National Treasury towards the end of the month of June, 2021.

Further, other Exchequer releases of Kshs.761,017,375 received in the month of July, 2021 were related to the budgeted funds for 2020/2021.

The late Exchequer releases could have had adverse effects on the implementation of the planned activities and projects by the County Executive.

930. Pending Bills

Annex 2 to the financial statements reflects total pending accounts payables of Kshs.725,084,292 as at 30 June, 2021. However, examination of the supporting schedule provided indicated that the pending bills balance exclude bills totalling to Kshs.76,074,509 in respect of legal cases. Further, the County Executive has continued to accumulate pending bills contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that debt service payments should be a first charge on the County Revenue Fund and the Accounting Officer should ensure this is done to the extent possible that the County Government does not default on debt obligations.

Non-payment of pending bills affects the budget for the subsequent year as pending bills form the first charge.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

931. Non-Compliance with the Law on Fiscal Responsibility – Wage Bill

The compensation of employees' expenditure of Kshs.4,821,422,299 accounted for 46% of the actual total revenue of Kshs.10,436,551,856 for the year ended June, 2021 and was above the maximum limit of 35% set in Regulations 25(1) (a) and (b) of the Public Finance Management (County Governments) Regulation, 2015.

In the circumstances, Management was in breach of the law.

932. Delayed Confirmations in Employment

Review of the Integrated Personnel and Payroll Database (IPPD) payroll for the month of June, 2021 revealed that one hundred and sixty five (165) officers had been on probation for periods ranging from 6.4 months to 85.6 months contrary to Section B.16(1) of Kisii County Human Resource Policy and Procedures Manual which states that newly recruited staff shall serve for six months under probation.

In the circumstances, Management was in breach of the County Human Resource Policy.

933. Non-Compliance with One Third of Basic Salary Rule

Review of the Integrated Personnel and Payroll Database (IPPD) for the month of June, 2021 revealed that a total of three hundred and ten (310) officers were earning less than a third of their basic pay. This was contrary to the Section C.1 (3) of the Kisii County Public Service Human Resource Policy and Procedures Manual that requires public officers not to over-commit their salaries beyond two thirds (2/3) of their basic salaries.

In the circumstances, Management was in breach of the law.

934. Non-Compliance with Law on Staff Ethnic Composition

During the year under review, the County Executive recruited 155 members of staff. However, examination of personnel records indicated that 98% of the recruits were from the dominant community in the County, contrary to Section 65(1) (E) of County Government Act, 2012 that requires that, in selecting candidates for appointment, the County Public Service Board should consider the need to ensure that at least thirty percent (30%) of the vacant positions at the entry level are filled by candidates who are not from the dominant ethnic community in the County.

In the circumstances, Management was in breach of the law.

935. Failure to Remit Retirement Contributions

The National Treasury Circular dated 28 October, 2021, disclosed that County Executive had unremitted retirement contributions to Local Authorities Provident Fund (LAPFUND), Local Authorities Pensions Trust (LAPTRUST) and County Pensions Fund (CPF) amounting to Kshs.2,405,907,247 as at 31 December, 2020.

The debt status as at 30 June, 2021 was not provided for audit review and, as a result, it was not possible to confirm the unremitted retirement contributions as at that date.

Failure by the County Executive to remit retirement contributions to pension schemes adversely affects the ability of the schemes to service retirement benefits, as and when such benefits fall due.

In the circumstances, Management may subject the County Government to nugatory expenditure in the form of penalties and interests that could otherwise be avoided.

936. Failure to Prepare Training Needs Assessment

Disclosed in Note 7 to the Financial statements under use of goods and services is an expenditure of Kshs.45,844,180 relating to training expenses. However, information provided for audit review on training revealed that the County Executive organized trainings without training needs assessment projections to assist in identifying training needs for each staff as required by Kisii County Government Human Resource Policies and Procedure Manual, 2016. No explanation was given to justify non-adherence to the Manual.

In the circumstances, Management was in breach of the law.

937. Acquisition of Assets

As disclosed in Note 10 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.1,582,494,457 in respect of acquisition of assets which includes among others; construction of buildings, construction and civil

works and overhaul and refurbishment of construction and civil works. The following observations were made:

938. Construction of Buildings

938.1 Delay in Construction of Treatment and Rehabilitation Centre at Kiamwasi

The expenditure under acquisition of assets includes an amount of Kshs.98,129,152 incurred on construction of buildings. The latter includes an amount of Kshs.8,197,792 spent during the year under review on Construction of Treatment and Rehabilitation Centre at Kiamwasi in Kitutu Central.

The centre was to be constructed at a contract sum of Kshs.22,330,210 for a contract period of 36 weeks starting from 15 July, 2019 and ending on 4 March, 2020. The National Authority for the Campaign Against Alcohol and Drug Abuse (NACADA) was to pay an amount of Kshs.9,132,418 of the contract sum, while the County Executive to pay the balance of Kshs.13,197,792 which was fully paid as at 30 June, 2021.

Physical verification of the project on 16 November, 2021 revealed that the project was not complete despite the contract period having lapsed. Although the Centre's building was fully constructed, external works, including fencing and construction of gabions to protect the building from being destroyed by soil erosion (the building sits next to a steep slope) had not commenced.

Further, the building was not ready for occupation as it was yet to be equipped with beds and bedding, cooking utensils, laundry machines and water piping.

938.2 Delay in Refurbishment of Suneka Market – Phase II

The expenditure of Kshs.98,129,152 on construction of buildings further includes an amount of Kshs.6,500,000 paid to a contractor for the refurbishment of Suneka Market. The market was to be refurbished at a contract sum of Kshs.20,461,390 for a contract period of 6 months starting from 20 February, 2020 and ending on 30 July, 2020.

Physical verification of the project on 16 November, 2021 revealed that the project was not complete, one year and a quarter after the completion due date, and the contractor was not on site.

938.3 Doubtful Construction of Nyamache Market Shade

Included in the expenditure of Kshs.98,129,152 on construction of buildings is an amount of Kshs.1,300,000 paid to a contractor for the construction of Nyamache Market Shade. The contract was awarded at a sum of Kshs.3,201,975 for a contract period of three (3) months, with starting date of 30 April, 2018 and completion date of 30 July, 2018.

Physical verification of the project during the month of 6 November, 2021 revealed that the project did not exist on the ground and the site where the shed was allegedly built was occupied by Nyamache Banana Market which was under construction.

In the circumstances, the value for money for the above projects could not be confirmed.

939. Construction and Civil Works

The expenditure of Kshs.1,582,494,457 under acquisition of assets includes an amount of Kshs.349,980,643 in respect of construction and civil works. The following observations were made:

939.1 Installation of Culvert works for Keroka Drain

The amount includes expenditure of Kshs.3,845,286 paid to a contractor for installation of culvert works for Keroka Drain for a contract awarded at a sum of Kshs.3,845,286.

Physical verification of the project during the month of November, 2021 revealed that the road was still impassable despite the full payment. Management explained that the poor state of the road was because the gravels had worn out due to the steep slope downstream and lack of a programme to rehabilitate the road.

939.2 Construction of Perimeter Wall at Nyatieko Waste Management Site

The expenditure includes an amount of Kshs.10,000,000 incurred on construction of a perimeter wall at Nyatieko Waste Management Site at a contract sum of Kshs.22,573,196.

Physical verification of the project during the month of November, 2021 revealed that the waste management site borders a residential area and a water stream. An unsigned copy of Environmental Impact Assessment Report provided for audit recommended that the proponents of the project be allowed to proceed with the development on condition that the proposed Environmental Management Plan was implemented in compliance with all the relevant principal laws, by-laws, and regulations impacted on by the project were met. However, no evidence was provided to show that the project was approved by the Ministry of Public Health and Water Services Regulatory Board (WASREB). Further, ownership documents of the waste management site were not provided for audit review.

The safety of the citizens and water stream near the waste management site could not be guaranteed.

939.3 Drilling of Borehole in Kiabigori in Botenga Ward

The expenditure includes an amount of Kshs.1,995,016 spent on drilling of a borehole in Kiabigori in Bogetenga Ward in South Mugirango Sub-county. However, the criteria for evaluation were not communicated to the firms since the request for quotations lacked such information. Further, although the drilling was carried out and water certified as fit for human consumption, the borehole has remained unutilized since it has not been equipped.

939.4 Stalled Construction of Culture Centre at Nyanturago - Ibeno Ward

Further, the expenditure of Kshs.349,980,643 on construction and civil works includes an amount of Kshs.4,929,221 incurred on construction of culture centre at Nyanturago - Ibeno Ward at a contract sum of Kshs.9,911,010.

Physical verification of the project in November, 2021 revealed that the project had stalled and was four years past the expected completion date. Management explained, without providing evidence, that the delay was caused by a land dispute.

939.5 Landscaping Abagusii Culture and Development Centre

The expenditure of Kshs.Kshs.349,980,643 on construction and civil works includes an amount of Kshs.1,482,752 spent on landscaping Abagusii Culture and Development Centre at a contract sum of Kshs.1,637,920. Although the bills of quantities (BQ) included leveling the ground adjacent to the centre before planting grass, physical verification of the project in November, 2021 revealed that the activity was not carried out as the surface remained uneven. Further, the ceiling board had collapsed and fallen off.

939.6 Stalled Construction of Marani Town Hall

The expenditure of Kshs.349,980,643 for construction and civil works includes an amount of Kshs.7,597,473 paid during the year under review to a contractor for construction of Marani Town Hall. The contract was awarded at a sum of Kshs.26,245,960 through a contract agreement of 22 November, 2016 and completion date as 30 December, 2018.

Physical verification in November, 2021 revealed that the project had stalled, with the last certificate for payment reflecting 69% work done while the contractor had abandoned the site.

In the circumstances, the value for money on the above projects could not be confirmed.

940. Overhaul and Refurbishment of Construction and Civil Works

The expenditure of Kshs.1,582,494,457 under acquisition of assets includes an amount of Kshs.349,909,718 in respect of overhaul and refurbishment of construction and civil works. The following observations were made:

940.1 Doutful Supply and Delivery of Kenyenya Library Equipment

The expenditure includes an amount of Kshs.1,500,000 spent on supply and delivery of Kenyenya Library equipment at a contract sum of Kshs.1,999,390. Bills of quantities for library equipment included books and computers (laptops/desktops), shelves and furniture.

Physical verification in November, 2021 revealed that the books delivered were actually donations from European Union Countries, and were branded as such and the alleged computers did not exist. Management explained, without providing evidence, that the computers were delivered to the office of the County Administrator for Bomachoge Borabu

since the library had not been installed with electricity and there was no officer deployed at the time of delivery.

940.2 Doubtful Construction of Nyangoge Stadium

The expenditure includes an amount of Kshs.1,055,020 spent on construction of Nyangoge Stadium at a contract sum of Kshs.1,894,300.

Physical verification of the project in November, 2021 revealed that there was no structure at Nangonge pitch and ground levelling had not been carried out.

940.3 Construction of Nyamache Banana Market

During the financial year 2019/2020, the County Executive awarded a contract for the construction of Nyamache Banana Market at a contract sum of Kshs.92,704,499 as per the notification of award. However, a copy of the contract agreement provided for audit did not reflect contract period and contract sum. Further, procurement documents including tender advertisement, tender evaluation report, professional opinion and complete original contract agreement and evidence of any payments on the contract were not provided for audit.

Physical verification on 16 November, 2021 revealed that the project was still under construction, and was approximately 95% complete.

940.4 Abandoned Construction of Mosocho Town Hall

As reported in the previous years, the County Executive awarded a contract for the construction of Mosocho Town Hall to a firm at contract sum of Kshs.24,346,979. The project was to be completed on 30 December, 2014.

Physical verification in November, 2021 revealed that the project was incomplete, stalled and the contractor had abandoned the site despite having been paid Kshs.20,709,435.

In the circumstances, the public have not received value for money on the expenditure incurred on the above projects.

941. Project Implementation Status

Review of the County Executive's development budget revealed that the County Executive had planned to implement 943 development projects with a total budget of Kshs.4,049,169,920. However, the Project Implementation Status Report as at 30 June, 2021 indicated that only 638 projects with a total budget of Kshs.2,699,090,466 were implemented during the year, leaving 305 projects with budgeted amount of Kshs.1,350,079,454 not implemented.

Further, a total of 170 projects with a budget of Kshs.1,325,377,106 and actual expenditure of Kshs.637,056,450 were on-going as at 30 June, 2021. The projects were expected to be completed by 30 June, 2021. However, as of November, 2021, the projects had not been completed.

The delayed completion of the projects has denied the Kisii residents of goods and services that would have accrued.

In the circumstances, the value for money for the expenditure of Kshs.637,056,450 already incurred on these projects could not be confirmed.

942. Legal Cases

As reported in the previous year, review of legal documents revealed that various court cases were pending against the County Executive some of which were inherited from the defunct local authority. Out of these cases, twelve (12) were ruled against the County Executive and the plaintiffs/claimants awarded a total of Kshs.76,074,509. However, the County Executive has not settled the court awards and no evidence was provided on any appeals on the matters.

In the circumstances, Management was in breach of the law.

943. Kisii County Municipality Status

943.1 Delay in Development of Integrated Development Plan

Kisii town acquired municipality status on 4 September, 2018. However, the Municipality had not developed an Integrated Development Plan, contrary to the requirement of Section 5(1)(b) of the Urban Areas and Cities Act, 2011. Further, documents provided indicated that on 10 November, 2021, the Municipality awarded a contract for Provision of Consultancy Services for Preparation of an Integrated Strategic Urban Development Plan for Kisii Municipality. No explanation was provided for the delay.

In the circumstances, the Municipality may be lacking adequate infrastructure and services, safe housing, adequate and good health services, due to lack of an Integrated Development Plan.

943.2 Conferment of Municipality Status to Ogembo Urban Centre

Information available indicated that on 29 July, 2021, the Governor, Kisii County conferred the status of a municipality to Ogembo Urban Area through Gazette Notice No.8634, despite it having a population of only 3,901, according to the 2019 Kenya Population and Housing Census. This was contrary to Section 9(3)(a) of the Urban Areas and Cities Act, 2011 provides that a town is eligible for conferment of municipality status if it has a population of at least two hundred and fifty thousand (250,000) residents according to the final gazetted results of the last population census carried out

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

944. Cash Management Systems

During the year under review, the County Executive maintained fifteen (15) bank accounts at the Central Bank of Kenya and two hundred and eighty-six (286) bank accounts in various commercial banks. Most of the accounts maintained in the commercial banks were for health facilities which received funds from DANIDA and Health Sector Service Fund (HSSF). However, there were no effective internal checks including monthly reconciliations with regard to operations of these accounts. Further, the County Executive did not provide IFMIS auto generated bank reconciliations for the period under review.

In the circumstances, existence of an effective internal control system on cash management could not be confirmed.

945. Weak Internal Controls over Cashbooks

The cash books maintained by the County Executive were not checked for accuracy by an independent or senior officer in the Finance Department. Further, although reports of the Board of Survey Committees were written and submitted for audit, the Committees' members did not sign the cash books to confirm accuracy of closing cashbook balances. In addition, several carried forward balances in the cash books of a number of Vocational Training Colleges were altered, a sign of errors in recording of transactions. In the absence of supervision/checking of the work done by junior officers, errors in the cash books may go undetected, leading to inaccuracies in the financial statements.

946. Unauthorized IPPD System Users

Review of the Integrated Personnel and Payroll Database (IPPD) payroll system for the year ended June, 2021 revealed that two officers with payroll numbers 1969030622 and 201500665660 were able to access the system and make changes on 16 December, 2020 and 12 November, 2020 respectively, without authorization. The two officers were not in the payroll system for the year under review.

Management has explained that the payroll number 1969030622 belongs to the System Administrator in the Ministry of Public Service and Gender (IPPD Headquarters-Nairobi) and on the said month, they had requested for inclusion of leave allowance in the December, 2020 payroll. However, the other payroll number 201500665660 in question does not exist in the service since the Ministry in-charge of generating personal numbers does not issue 12 digit payroll numbers.

In the circumstances, the reliability, confidentiality and integrity of data generated from IPPD could not be confirmed.

947. Information Technology (IT) Internal Controls

An audit of the County Executive's IT controls revealed that the County Executive uses the following systems and applications to manage its operations; IFMIS, Internet Banking, Laiforms, ZIZI platform, IPPD and Hospital Management Information systems. However, the System /applications do not fully interface with the financial system and with each other. Further, an IT training program has not been put in place.

In the circumstances, development and implementation of applications, integrity of program and data files and computers operations may be compromised.

COUNTY EXECUTIVE OF NYAMIRA - NO.46

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

948. Unexplained Variance in Cash and Cash Equivalents

The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.1,119,745,478 and as disclosed in Note 12A to the financial statements. The amount includes bank balances totalling to Kshs.163,066,131 held in two (2) bank accounts as at 30 June, 2021 whose reconciled cash book balances reflects an aggregate balance of Kshs.115,349,086 on the said date. The variance amounting to Kshs.47,717,045 between the two sets of records was not explained.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.1,119,745,478 could not be confirmed.

949. Accuracy of Expenditure on Compensation of Employees

The statement of receipts and payments reflects compensation of employees expenditure of Kshs.2,852,930,277 and as disclosed in Note 6 to the financial statements. The following anomalies were noted:-

i. The expenditure of Kshs.2,852,930,277 differs with an amount of Kshs.2,828,804,649 reflected in the payrolls and supporting schedules, resulting in an unexplained and unreconciled variance amounting to Kshs.24,125,628.

ii. Transactions relating to Pay As You Earn (PAYE) in the month of June, 2021 amounting to Kshs.37,709,630 reflected in the schedules supporting the financial statements could not be traced in the IFMIS payment details report but was recorded as paid in the Internet Banking (IB) platform. No explanation was provided for the anomaly.

iii. A comparison of manual payrolls and payment vouchers revealed that an allowance called ‘other allowance’ which did not originate from the payrolls was introduced when the vouchers were prepared and an amount of Kshs.666,615 was paid to three (3) employees in respect of the same. No justification or authority was provided for this allowance.

iv. Three (3) transactions relating to compensation of employees amounting to Kshs.28,515,162 reflected in the schedules supporting the financial statements differs with the amount recorded in the internet banking statements amount of Kshs.29,872,303 resulting to variance of Kshs.1,357,141 that was not explained or reconciled.

In the circumstances, the accuracy and completeness of the compensation of employees expenditure of Kshs.2,852,930,277 could not be confirmed.

950. Unsupported Purchase of Certified Seeds, Breeding Stocks and Live Animals

The statement of receipts and payments reflects acquisition of assets expenditure of Kshs.752,975,731 and as disclosed in Note 11 to the financial statements. The expenditure includes an amount of Kshs.4,969,933 relating to refurbishment of buildings. Examination of the supporting schedules reflects that the expenditure relates to purchase of certified seeds, breeding stocks and live animals. Included in the expenditure is an amount of Kshs.2,774,500 paid to Kenya Animal Genetic Resource Centre for the supply and delivery of Bull semen and A.I Accessories. However, the Management did not provide for audit the status report indicating whether deliveries and distributions to the intended beneficiaries had been made in full as per the value specified in the form of agreement.

In the circumstances, the occurrence and completeness of the expenditure of Kshs.2,774,500 could not be confirmed.

951. Pending Bills

Notes 9.10(1) and 9.10(2) to the financial statements on other important disclosures reflects pending accounts payables balance of Kshs.322,845,819 and other pending payables balance of Kshs.1,742,524,801, respectively totalling to Kshs.2,065,370,620. However, the disclosures provided contains the following anomalies:

i. The pending accounts payable balance of Kshs.322,845,819 was not supported by the respective ledger control account. In addition, the amount disclosed excludes bills totalling Kshs.11,721,721 owed to Kenya Power & Lighting Company (KPLC), Public Health Facilities and Devolved Services amounting to Kshs.861,312, Kshs.8,549,677 and Kshs.2,310,732, respectively and relating to projects/services as communicated by The National Treasury through Circular No.16/2021, dated 22 December, 2021.

ii. Other pending payables balance of Kshs.1,742,524,801 includes debts owed to County Executive entities and third parties totalling to Kshs.65,605,344 and Kshs.1,676,919,457, respectively. However, contract documents, invoices and ledgers related to these amounts were not provided for audit.

In the circumstances, the irregularity, accuracy and completeness of the total pending bills balance of Kshs.2,065,370,620 could not be confirmed.

Other Matter

952. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development reflects final receipts budget and actual on comparable basis of Kshs.6,800,247,602 and Kshs.6,201,359,735, respectively resulting to an under-funding of Kshs.598,887,867 or 9% of the budget. Similarly, the County Executive spent Kshs.5,781,413,775 against an approved budget of Kshs.6,800,247,602 resulting to an under-expenditure of Kshs.1,018,833,827 or 15% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

953. County Own Generated Receipts

County Executive budgeted to collect an amount of Kshs.250,000,002 as County own generated receipts in the 2020/2021 financial year. However, a total of Kshs.168,276,586 was collected resulting in an overall under-collection of revenue by Kshs.81,723,416 or 33% of the budgeted amount. Further, the actual local revenue declined compared to the previous year (2020) amount of Kshs.187,324,098 by Kshs.19,047,512 or 10%.

No satisfactory explanation was provided for the under-collection or decline in the County own generated receipts in the year under review.

954. Late Exchequer Release

As disclosed in Note 1A to the financial statements, the statement of receipts and payments reflects exchequer releases amount of Kshs.5,224,528,800 which includes an amount of Kshs.817,836,000 that was received by the County Government from The National Treasury between 01 June, 2021 and 30 June, 2021.Further, exchequer issues amounting to Kshs.408,918,000 were released on 02 July, 2021 by The National Treasury on the budgeted funds for 2020/2021.

Late release of exchequer issues may result in an inadequate time to utilize the funds and which in turn could have an adverse effect on the implementation of the planned activities and projects by the County Government.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

955. Non-Compliance with the Law on Fiscal Responsibility – Wage Bill

The statement of receipts and payments reflects an expenditure on compensation of employees amounting to Kshs.2,852,930,277 which translates to 46% of the County Executive's revenue receipts totalling to Kshs.6,201,359,735 for the year under review.

The proportion therefore exceeds the ratio of 35% set in Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, Management was in breach of the law.

956. Delayed Remittance of Statutory Deductions

A comparison of National Social Security Fund (NSSF), National Hospital Insurance Fund (NHIF) and Pay as You Earn (PAYE) monthly deductions for the financial year ended June, 2021 with the bank statements revealed the following irregularities:

i. NHIF deductions for ten (10) months were remitted late. In addition, NHIF deductions for the month of August, 2020 totalling to Kshs.4,188,300 were not remitted. This is contrary to Section 5 of Business Laws (Amendment) (No.2) Act, 2021 which set the due date for paying in of NHIF deductions at the ninth day of the month following the one deduction is made.

ii. PAYE deductions for eight (8) months were remitted late. In addition, PAYE for August, 2020, amounting to Kshs.27,054,752.15, was not remitted in contravention of Rule 10 of Income Tax (P.A.Y.E) rules, which sets the due date for paying PAYE deductions to be before the tenth day following the end of every month or before any other day which may be notified by the Commissioner.

The National Treasury Circular No.14/2021, Ref No.IGFR/PB/01/J/(69) dated 28 October, 2021, indicated that County Executive had unremitted retirement contributions to Local Authorities Provident Fund (LAPFUND), Local Authorities Pensions Trust (LAPTRUST) and County Pensions Fund (CPF) amounting to Kshs.310,956,550, Kshs.168,819,221 and Kshs.11,458,457 respectively all totalling to Kshs.491,234,228 as at 31 December, 2020.

The debt status as at 30 June, 2021 was not provided for audit and, as a result, it was not possible to confirm the unremitted retirement contributions as at that date. Failure by the County Executive to remit retirement contributions to pension schemes adversely affects the ability of the schemes to service retirement benefits, as and when such benefits fall due, to the existing employees.

In the circumstances, Management was in breach of the law.

957. Officers Paid Below the Basic Minimum Daily Wages Rate

Review of the manual payrolls for the casual staff revealed that for the months of September, 2020, October, 2020, February, 2021 and May, 2021, twenty-eight (28) officers were paid at a daily rate of Kshs.295 instead of the stipulated rate of Kshs.367. This was contrary to the provisions of the Wages (General)(Amendment) Order, 2018 which prescribed a minimum wage of Kshs.367 per day for all other areas outside Nairobi, Mombasa, Kisumu, Mavoko, Ruiru and Limuru.

In the circumstances, Management was in breach with the law.

958. Non-Compliance with the Law on Staff Ethnic Composition

Review of staff establishment and employment records for the 2020/2021 financial year revealed that the CountyExecutive had four thousand seven hundred and five (4,705) employees. An analysis of ethnic composition revealed that four thousand four hundred and forty-one (4,441) employees, which is equivalent to 94.4% were from one ethnic community while only 264 or 5.6% were from other ethnic communities. This is contrary to Section 7(1) of the National Cohesion and Integration Act, 2008 which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff.

In the circumstances, Management was in breach of the law.

959. Construction of Buildings

The statement of receipts and payments reflects acquisition of assets expenditure of Kshs.752,975,731 and as disclosed in Note 11 to the financial statements which includes an amount of Kshs.96,710,227 relating to construction of buildings. However, the following irregularities were noted:

965.1 Delay in Construction of Inpatient Wards Block at Manga Sub-county

Included in the expenditure is a payment of Kshs.4,403,064 made to a local construction company for construction and completion of inpatient wards block at Manga Sub-county. The contract was awarded in the financial year 2017/2018 at a contract sum of Kshs.34,237,845 and the contractor had cumulatively been paid an amount of Kshs.6,276,510 as at November, 2021.

The contract was to be carried out in thirty-six (36) weeks with a commencement date of 13 March, 2019. Review of records revealed that the project implementation committee approved extension of the contract period by six (6) months to 15 October, 2021. The contractor failed to carry out the works as per the revised work plan and Management had initiated the process of terminating the contract by issuing a default notice to the contractor on 09 November, 2021 as provided by Section 151(2)(a)(g) of the PPADA, Public Procurement an Asset Disposal Act, 2015.

Physical verification in the month of November, 2021 indicated that the works remained incomplete, and a new contractor had not been identified to complete the outstanding works.

965.2 Delayed Construction of Inpatient Wards Block at Magwagwa Sub-county

Included in the expenditure is a payment of Kshs.4,007,011 made to a local construction firm for the construction and completion of inpatient wards block at Magwagwa Sub-County. The contract was awarded in the financial year 2017/2018 at a contract sum of

Kshs.64,551,975 and the contractor had cumulatively been paid Kshs.24,014,099 as at November, 2021.

The contract was to be carried out in thirty-six (36) weeks with a commencement date of 13 March, 2019. Review of records noted that the project implementation committee approved extension of the contract period by six (6) months to 31 October, 2021.

Physical verification in the month of November, 2021 revealed that the works remained incomplete with the Management explaining that the remaining works were expected to be completed in the month of March, 2022.

965.3 Stalled Construction of Nyamira County Referral Hospital Covid-19 Isolation Complex

Included in the expenditure is a payment of Kshs.37,545,145 made to a local company for the construction and completion of Nyamira County Referral Hospital Covid-19 Isolation Complex. The contract was awarded during the financial year under review at a contract sum of Kshs.95,860,834 and the contractor had cumulatively been paid an amount of Kshs.37,545,145 as at November, 2021.

The contract was to be carried out in sixteen (16) weeks commencing 17 November, 2020 weeks with initial completion date of February, 2021. Review of records indicated that the Project Implementation Committee approved extension of the contract period to 09 April, 2022.

Physical verification in the month of November, 2021 showed that the contractor was not on site and the works remained incomplete with construction works only done on slabs and pillars.

965.4 Construction of Classroom at Gesore Primary ECDE

Included in the expenditure is a payment of Kshs.1,105,886 made to a local company for the construction of a classroom at Gesore Primary ECDE. The contract was awarded during the financial year under review at a contract sum of Kshs.2,729,130 and the contractor had cumulatively been paid an amount of Kshs.1,105,886 as at November, 2021.

Review of records revealed that the contractor failed to carry out the works as per the agreed work plan. Although the Management indicated that the process of terminating the contract had been initiated by issuing a default notice to the contractor to pave way for re-tendering, documentation to support the same was not provided for audit verification.

Physical verification noted that the works remained incomplete with no contractor on site and the condition of the work done so far was deplorable.

965.5 Stalled Construction of Classroom and Pit Latrine at Matiero Primary ECDE

Included in the expenditure is a payment of Kshs.3,275,200 made to a local company for construction of a classroom and pit latrine at Matiero Primary ECDE. The contract was awarded in the 2019/2020 financial year at a contract sum of Kshs.3,600,000 and the contractor had been cumulatively paid an amount of Kshs.3,275,200 as at November, 2021.

Physical verification revealed that the works remained incomplete while the contractor was not on site and the work was still pending. The Management explained that the contract was terminated due to non-performance by the contractor and re-tendering process initiated but no documentation of the same was provided for verification.

965.6 Construction of Classroom at Bigege Vocational Training

Included in the expenditure is a payment of Kshs.1,722,592 made to a company for the construction of a classroom at Bigege Vocational Training. The contract was awarded in the 2019/2020 financial year at a contract sum of Kshs.2,220,600 with a cumulative payment of Kshs.1,722,592 as at November, 2021.

Review of records showed that, Management had terminated the contract due to non-performance by the contractor, re-tendered and awarded a completion contract to an company at a contract sum of Kshs.1,624,847 on 24 June, 2021. However, contract documents were not provided for verification and therefore, it was not possible to ascertain the contract period for the re-tendered works.

Physical verification revealed that the works remained incomplete while the contractor was not on site, with internal walling, windows and doors fixing works still pending.

965.7 Construction of Nyamira County Headquarters

Included in the expenditure is a payment of Kshs.16,909,938 to a local company for the construction and completion of the Nyamira County Headquarters Multiyear Project. Review of records noted that payments cumulating to Kshs.167,384,874, or 44% of the contract sum of Kshs.382,970,400, had been paid to the contractor as at November, 2021. The project was supposed to be completed within one hundred and fifty-six (156) weeks upon taking possession of the site on 31 December, 2018.

Physical verification on 09 November, 2021 showed that the project had taken one hundred and fifty (150) weeks and it was not possible that the remaining works would be completed within six(6) weeks of the remaining contract period. In addition, the performance security of Kshs.19,148,520 issued from a local insurance firm had expired on the 02 June, 2021 with there was no evidence that it had had been renewed.

965.8 Delayed in Construction of Inpatient Wards Block at Nyamusi

Included in the expenditure is a payment of Kshs.5,265,843 made to a local construction company for construction and completion of inpatient wards block at Nyamusi Sub-county

Hospital. The scope of works included substructures, reinforced concrete frame, staircases balustrading, ramps, walling, roofing, windows, doors finishes fitting and electrical works, ceiling finishes, and floor finishes, fixtures and fittings.

The contract was awarded in the financial year 2017/2018 at a contract sum of Kshs.34,865,540 and the contractor had cumulatively been paid Kshs.10,370,370 as at November, 2021. The contract was to be carried out in thirty-six (36) weeks with a commencement date of 23 April, 2018.

Physical verification of the project on 10 November, 2021 revealed that the construction works remained incomplete with door fittings, windows, finishes, ceilings, floor finishes, fixtures and fittings, electrical installations still outstanding. In addition, the contractor was not on site and no documentation was provided to prove that the contract period had been extended.

In the circumstances, propriety and value for money from the above projects could not be confirmed.

960. Construction and Civil Works

The statement of receipts and payments reflects acquisition of assets expenditure of Kshs.752,975,731 which includes an amount of Kshs.90,398,889 relating to construction and civil works as disclosed in Note 11 to the financial statements. However, the following irregularities were noted:

960.1 Delay in Construction of Manga Stadium Football Pitch and Running Truck

Included in the expenditure is an expenditure of Kshs.5,194,891 in respect of construction of Manga stadium football pitch and running truck. The tender was awarded to a company being the only evaluated responsive bidder at commercial stage at a contract sum of Kshs.20,301,660. The commencement date was 25 June, 2019 for a period of forty-eight (48) weeks.

Examination of the expenditure records for the Department of Gender revealed that the contractor had been paid a total of Kshs.9,717,620.80 as at 30 June, 2021 through Certificate No.1 and Certificate No.2 amounting to Kshs.4,522,729.8 and Kshs.5,194,891, respectively. Works done according to the inspection and acceptance committee report were at 47.9% to completion. Further, the County Executive of Nyamira vide a letter dated 14 December, 2020 approved an extension of the contract period to 31 March, 2021.

Physical verification of the project at the time of audit on 01 November, 2021 showed that the contractor was not on site and no activity was on going. In addition, the following works had not been done as per the executed Bill of Quantities (BQ); final drainage works on the pitch edges, pop up irrigation fittings, goal posts and football nets, and continuous maintenance of the plated grass.

960.2 Delay in Construction of Manga Stadium Pavilion

Included in the expenditure is an expenditure of Kshs.28,881,132 in respect of construction of Manga Stadium Pavilion. The tender was awarded to a company, being the only evaluated responsive bidder at commercial stage at contract sum of Kshs.83,721,867. The contract agreement was signed on 20 May, 2019 and the project was to run for one year and half.

Further, the contractor was granted a contract extension which expired on 31 March, 2021 and according to the inspection and acceptance committee report, the works done were at 62.70% to completion.

Physical verification of the project on 01 November, 2021 revealed that the contractor was not on site and no activity was on going. In addition, the following works had not been done as per the BQ; floor tilling, completion of mechanical and electrical works, and final painting works.

In the circumstances, the value for money from the above projects to the public could not be confirmed.

961. Rehabilitation of Civil Works

The statement of receipts and payments reflects acquisition of assets expenditure of Kshs.752,975,731 which includes an amount of Kshs.207,884,992 relating to rehabilitation of civil works as disclosed in Note 11 to the financial statements. However, the following irregularities were noted;

961.1 Construction of Nyambaria Water Supply Project

Included in the expenditure are payments totalling to Kshs.12,305,355 made to a local construction firm in respect of construction of Nyambaria Water Supply Project. The scope of works included; water intake/weir, treatment plant (CFU), mixing and measurement plant (dosing chamber), clear water tank (100m^3), back wash tank (elevated steel) 50m^3, pumping unit and main rising.

However, the procurement documents were not provided for verification. In addition, the performance security issued by a local financial institution expired on 21 August, 2021 and there was no evidence that it had been renewed.

961.2 Incomplete and Abandoned Water Projects

Included in the expenditure is an amount of Kshs.75,154,354 spent on eight (8) water projects, some of which were to be undertaken in phases. However, as at the time of audit in November, 2021, the projects were either not complete or abandoned due to lack of adequate funding.

Although Management indicated that quotations had been floated and contracts awarded to the winning bidders for completion of Phase II, documentation on the same were not provided for audit.

961.3 Hydrogeological Survey, Drilling, Casing, Capping and Test Pumping of 20 Boreholes in Nyamira County

Included in the expenditure is an amount of Kshs.40,043,814 paid to National Water Harvesting Storage Authority for hydrogeological survey, drilling, casing, capping and test pumping of No.20 boreholes in Nyamira County. The contract was awarded to the Authority at a sum of Kshs.47,816,840.

Review of project records and implementation status reports at the time of audit in November, 2021 noted that fourteen (14) No. projects were completed, while six (6) No. projects with a contract sum of Kshs.14,345,052 remained uncompleted despite the lapse of the contract period.

In the circumstances, the value for money from the expenditure on the above projects could not be confirmed.

962. Construction of Roads

The statement of receipts and payments reflects acquisition of assets expenditure of Kshs.752,975,731 which includes an amount of Kshs.270,750,380 relating to construction of roads as disclosed in Note 11 to the financial statements. The latter includes an amount of Kshs.93,551,100 paid to Mechanical Transport Fund Department for hire of various specialized plant and equipment.

However, review of the Project Status Reports, fuel consumption sheets, daily machine utilization schedules and work tickets together with machine working hours summaries indicated that the Nyamira County Executive had utilized plant and equipment machine hours amounting to Kshs.88,761,872 out of the amount paid of Kshs.93,551,100 and thus leaving a balance of Kshs.4,789,228 unutilized.

In the circumstances, the propriety of the edxpenditure of Kshs.4,789,228 could not be confirmed.

963. Non-Compliance with Urban Areas and Cities Act, 2011 on Creation of Keroka Town

Review of records in respect of the operations of Keroka Town revealed the following anomalies:-

i. There was no documentary evidence to confirm that the County Public Service Board had appointed the Town Administrator.

ii. There was no documentary evidence to confirm that the Management of Keroka Town had developed and adopted policies, plans, strategies and programs for service delivery.

iii. It was not clear whether Keroka Town had formulated and implemented an integrated development plan.

iv. The Keroka Town Management did not prepare and submit its annual budget estimates to the Nyamira County Treasury for consideration and submission to the County Assembly for approval as part of the Annual County Appropriation Bill.

v. It was not clear whether the Keroka Town Management Committee was appointed by the Governor and approved by the Nyamira County Assembly.

It was contrary to the Urban areas and cities Act, 2011.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

964. Long Outstanding Land Rates

As disclosed in Note 4 to the financial statements, the statement of receipts and payments reflects County own generated receipts amount of Kshs.168,276,586 which includes an amount of Kshs.11,391,140 in respect of land rates. Records provided for audit revealed accumulated land rates arrears balance of Kshs.74,883,703 which have been outstanding since the year 2010.

In the circumstances, existence of effective measures to collect the rates could not be confirmed.

965. Lack of Updated Valuation Roll

As disclosed in Note 4 to the financial statements, the statement of receipts and payments reflects County own generated receipts amount of Kshs.168,276,586 which includes an amount of Kshs.1,476,539 in respect of plots rent collected during the year. The county Executive is using valuation roll of 2006 inherited from the defunct Local Authorities.

No measures have been put in place to update the valuation roll and to enhance revenue collection despite the fact that the value of land in Nyamira County has risen significantly.

966. Cash Management Systems

During the year under review, the County Executive maintained fifteen (15) bank accounts at the Central Bank of Kenya and one hundred and forty-four (144) bank accounts in various commercial banks. Most of the accounts maintained in the commercial banks were for health facilities and vocational training colleges. However, there were no effective internal checks including monthly reconciliations with regard to operations of these accounts. Further, the County Executive did not provide IFMIS auto generated bank reconciliations for the period under review.

In the circumstances, existence of an effective internal controls on cash Management could not be confirmed.

967. Ineffective Internal Audit Function

Internal Audit Reports for the year under review were not provided for audit. Consequently, it was not possible to place reliance on the work of internal audit to assess the existence and effectiveness of internal control system.

In the circumstances, existence of effective oversight of internal controls could not be confirmed.

968. Lack of Documented Risk Management Policy and Reports

As similarly reported in the previous years, the County Executive did not have a documented risk management policy in the year under review. Further, contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015, no risk assessment activity was carried out during the year.

Therefore, Management lacked rational means to identify operational and other risks faced by the County Executive, to assess the likelihood of their occurrence and significance, and to establish means to mitigate their possible effects.

In the circumstances, existence of effective risk management could not be confirmed.

969. Weaknesses in Information Technology Internal Control Environment

County Executive had a number of weaknesses in the IT control environment as follows:

i. The County did not have an approved disaster recovery plan to deal with loss of data and information in case of systems failures.

ii. There was no formally approved IT security policy to ensure data confidentiality, integrity and availability.

iii. There was no disaster recovery plan and backups storage in a secure offsite storage facility so as to recover data in case any disaster such as fire or any unforeseen circumstances.

iv. There were no policies in place which cover physical access and environmental controls.

As a result, the County Executive risks to lose data in case of a disaster.

In the circumstances, existence of an effective internal control on IT could not be confirmed.

970. Insufficient Disclosure on Fixed Assets

As previously reported, Annex 3 to the financial statements on summary of non-current asset register reflects assets balance of Kshs.5,668,369,862 as at 30 June, 2021. However, the fixed asset register was not up-dated and lacked important information such as the dates the assets were acquired and the costs of some assets. As a result, the assets register did not provide adequate disclosure on the assets as required in Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015.

In addition, assets taken over from the defunct local authorities had not been incorporated in the asset register.

In the circumstances, the County Executive lacked an effective system for recording, controlling and accounting for its assets.

COUNTY EXECUTIVE OF NAIROBI CITY - NO.47

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

971. Inaccuracies in the Financial Statements

971.1 Variances Between the Financial Statements, Payment Details and the Ledger

The statement of receipts and payments reflects total payments amounting to Kshs.29,582,031,455. However, the general ledger and payments summaries provided for audit reflected expenditure totalling to Kshs.17,006,826,853 and Kshs.21,078,392,025 respectively resulting in variances amounting to Kshs.12,575,204,602 and Kshs.8,503,639,430. The difference between the three sets of records was not reconciled or explained.

971.2 Incomplete Payment Entries in the Ledger

The statement of receipts and payments reflects total payments amounting to Kshs.29,582,031,455. Review of integrated Finance Management Information System (IFMIS) ledger entries revealed three hundred and forty-nine (349) payments to vendors for payments amounting to Kshs.1,937,357,693 which did not have corresponding invoice details. Management did not provide reasons for failure to capture invoice details for the payments.

971.3 Payments not Processed in IFMIS and Unreconciled Suspense Accounts

Analysis of payments made through internet banking revealed 348 entries amounting to Kshs.2,172,065,824 which were paid without being processed through IFMIS. Further, a payment analysis report generated from IFMIS reflected 3,825 transactions amounting to Kshs.287,485,876 processed through suspense accounts comprising of prepayments, special imprests and temporary imprests which were yet to be cleared. However, the amount differed with an amount of Kshs.33,247,428 reflected in the statement of assets and liabilities under accounts receivables – outstanding imprests, resulting in a variance of Kshs.254,238,448 which was not reconciled or explained.

971.4 Accounts Payables - Deposits and Retentions

The statement of assets and liabilities reflect a nil balance in respect of accounts payables - deposits and retentions as at 30 June, 2021. Review of payments made during the year revealed an amount of Kshs.1,097,460,707 paid to contractors in respect of various works including construction of buildings, refurbishment of buildings and construction and civil works under acquisition of assets expenditure items. The payments required Management to retain an amount for defects liabilities under the works contracts. However, it was not possible to confirm whether any retention money was deducted

before the payments were made as the same was not disclosed in the financial statements.

971.5 Unreconciled Bank Balances

The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.897,688,736 as at 30 June, 2021. The amount relates to balances held in forty-nine (49) bank accounts operated by City County Executive during the year under review, including one bank account which was overdrawn. However, certificates of bank balances for the forty-nine (49) bank accounts reflect a cumulative balance amounting to Kshs.11,196,922,393 resulting to a variance of Kshs.10,299,233,657 which was not reconciled.

Further, an amount of Kshs.429,813,424 held in various bank accounts related to balances for County Fund accounts which were required to prepare separate financial statements. Inclusion of the funds balances misstated the cash and cash equivalents balance as at 30 June, 2021.

In the circumstances, the accuracy and completeness of the balances could not be confirmed.

972. Receipts

The statement of receipts and reflects total receipts amounting to Kshs.29,553,905,838. Review of records and supporting documents provided for audit in respect of the receipts revealed the following anomalies;

972.1 Unaccounted for Receipts

The statement reflects County own generated receipts amounting to Kshs.9,711,076,181 comprising of Kshs.7,469,415,819 collected through the Local Authorities Integrated Financial Operations Management System (LAIFOMS) and an amount of Kshs.2,241,660,362 collected through a revenue account held at. However, schedules in support of receipts collected through the bank were not provided for audit. Further, review of bank statements for the bank collection account revealed that an amount of Kshs.3,814,038,549 in revenue was collected through the bank during the year under review, resulting in a variance of Kshs.1,572,378,187 which was not reconciled

In addition, a deed of transfer of functions to the National Government from the Nairobi City County Government signed on 25 February, 2020 and contained in the gazette notice No.1609, bestowed the responsibility of collecting and remitting all revenue accruing from the transferred functions to the National Government. As a result of the deed, Kenya Revenue Authority (KRA) was appointed the principal agent for overall revenue collection. Review of an account held at Equity Bank operated by KRA where revenue collected was deposited revealed that as at the closure of the financial year, an amount of Kshs.827,104 was held at the account. However, details of the total revenue collected and remitted by KRA as provided for in the deed of transfer of functions, during the year under review were not provided for audit.

972.2 Unremitted Receipts

The statement of receipts and payments reflects county own generated receipts amounting to Kshs.9,711,076,181. However, the receipts excluded Kshs.369,429,434 (2020 - Kshs.427,267,499) collected by the Nairobi City County Alcoholic Drinks and Licensing Board. According to Regulation 80 of Public Finance Management (County Governments) Regulations, 2015 the receipts comprise revenue of the County Government and ought to have been remitted to the County Revenue Fund (CRF) and disclosed in the financial statements.

972.3 Proceeds from Domestic and Foreign Grants

Note 2 to the financial statements reflects proceeds from domestic and foreign grants amounting to Kshs.74,527,819 comprising of Youth Polytechnic Support, Kenya Devolution Support Programme and World Bank funded Agriculture Sector Development Support Programme Phase Two (ASDSP II). However, the grants and donations were not disbursed through the revenue mode of disbursement or supply of goods and services as required by Regulation 72(4) of the Public Finance Management (County Governments) Regulations, 2015. Further, expenditure returns were not provided for audit review.

In addition, contrary to Regulation 77, Accounting Officers of the respective projects did not compile and maintain a record showing all receipts, disbursements and actual expenditure on a monthly basis in respect of the projects and sub-projects including monthly interim financial returns, quarterly financial management returns and a summary of the records for each quarter and year to the division responsible for external resources in the County Treasury not later than fifteen (15) days after the end of every quarter.

In the circumstances, the accuracy and regularity of County own generated receipts of Kshs.9,711,076,181 and proceeds from domestic and foreign grants received through exchequer amounting to Kshs.74,527,819 could not be confirmed.

973. Unsupported Payments

The statement of receipts and payments reflects total payments amounting to Kshs.29,582,031,455. However, supporting documents for the expenditure such as payment vouchers, invoices, contracts, disbursement details for payments amounting to Kshs.9,773,905,233 were not provided for audit.

In the circumstances, the accuracy and regularity of expenditure amounting to Kshs.9,773,095,233 could not be confirmed.

974. Unsupported Use of Goods and Services

As disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects expenditure amounting to Kshs.9,165,422,362 in respect of use of goods and services. Review of the supporting documents revealed the following:

974.1 Unsupported Legal Expenses

The amount includes other operating expenses amounting to Kshs.2,477,851,520 which includes an amount of Kshs.836,627,660 in respect of legal expenses paid to various firms during the year under review. However, the payments to the firms were not supported by formal instructions for representation, details of cases in which the firms represented the County Executive and certified copies of the judgements for the respective cases as stipulated in the civil procedure rules. Further, the services were directly procured contrary to the provisions of Section 103 of the Public Procurement and Asset Disposal Act, 2015.

In addition, review of payments and documents revealed that the County Executive procured the legal services without valid contracts contrary to Section 135 of Public Procurement and Asset Disposal Act, 2015.

974.2 Payments of Subsistence Allowance

The amount further includes expenditure amounting to Kshs.323,281,087 on domestic travel and subsistence which includes an amount of Kshs.13,074,060 paid as subsistence allowances to staff members without evidence confirming that they participated in the events for which the allowances were paid.

974.3 Payments of Foreign Travel and Subsistence

The amount also includes foreign travel and subsistence expenditure of Kshs.166,768,849 which constitute an amount of Kshs.11,422,273 whose supporting documents such as attendance registers, reports of work performed or program by staff members, invitation to various overseas trainings and workshops, imprest requisitions and applications, and proof of travel documents like boarding passes, stamped passports to various destinations were not provided for audit.

974.4 Training Expenses

Further, training expenses amounting to Kshs.164,645,324 includes an amount of Kshs.13,292,580 paid in respect of various training programs. However, support documents such as need assessment reports, training programs from training institutions, invitations to the trainings and authentic travel documents among other information were not provided for audit.

974.5 Utilities, Supplies and Services

The amount also includes payments amounting to Kshs.200,000,000 in respect of utilities, supplies and services. The amount was paid to Kenya Power and Lighting Company (KPLC) in two payments of Kshs.100,000,000 each. However, the payments were not supported by statement of account, invoices, and electricity bills.

974.6 Unsupported Hospitality Supplies and Services

The amount also includes hospitality supplies and services expenditure amount of Kshs.174,474,979. However, review of expenditure documents for the amount revealed that payments amounting to Kshs.38,777,482 were made as meals allowances to staff engaged beyond normal working hours. However, the rates applied differed with approved rates by the Salaries and Remuneration Commission as stipulated in circular of 16 April, 2014. In addition, the expenditure was not justified as no basis or reasons were provided for the payments. Therefore, the expenditure did not constitute a proper charge to public funds.

Further, the expenditure includes allowance of Kshs.7,762,000 paid to various task force members. However, the allowances did not meet the eligibility criteria for payment set out in the Ministry of Devolution and Planning dated 2 August, 2013 which spells out conditions under which taskforces should be formed and compensated including eligibility criteria for such payments.

974.7 Unaccounted for Fuel Oil and Lubricants

The use of goods and services amount of Kshs.9,165,422,362 reflected in the statement of receipts and payments includes an amount of Kshs.65,015,000 incurred on fuel, oil, and lubricants. However, records of fuel consumption in respect of the expenditure such as fuel registers and consumption statements from service providers were not provided for audit.

974.8 Other Operating Expenses

Other operating expenses amounting to Kshs.2,477,851,520 includes a payment of Kshs.4,864,960 for the supply and delivery of assorted office equipment which constituted six (6) laptops and eight (8) mobile iPhones at a unit price of Kshs.296,760 and Kshs.261,300 respectively totalling to Kshs.3,870,960. However, serial numbers for the equipment were not indicated on the delivery notes and the list of beneficiaries issued with the laptops and phones was not provided for verification.

974.9 Payments on Other Creditors

Included in use of goods and services payments are other creditors of Kshs.4,016,865,337 as reflected in Note 7 to the financial statements. However, documents and particulars of the creditors to whom the payments were made were not provided for audit. Further, it was not clear why the amount was included as expenditure in the statement of receipts and payments instead of a liabilities balance in the statement of assets and liabilities.

In the circumstances, the accuracy, regularity and completeness of the balances in the respective items of expenditure under the use of good and services could not be ascertained.

975. Irregular Payments of Allowances to Members of the County Assembly

During the year under review, an amount of Kshs.4,361,828 was paid as allowances to Members of the County Assembly (MCAs) by the County Executive. However, the nature and purpose for the payment was not stated. The County Assembly has an independent budget to support its operations. Further, such payments may pose a risk of double payments for the same services as the applicable controls are independent.

In the circumstances, the regularity of payments to MCAs amounting to Kshs.4,361,828 could not be confirmed.

976. Unrelated Rental Expenses

As disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.5,599,283 in respect of rentals of produced assets. Review of the ledger analysis provided for audit revealed that an amount of Kshs.1,800,000 was incurred on account of the County Assembly Speaker's official residence rent. However, no supporting documents were provided for audit to support the payment. Further, no explanations were provided as to why County Assembly related costs were paid by the County Executive.

In the circumstances, the validity of rental payments amounting to Kshs.1,800,000 could not be confirmed.

977. Unconfirmed Grants and Payments

As disclosed in Note 9 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.936,521,551 in respect of other grants and payments. Review of expenditure records revealed transfers to County Schools totalling to Kshs.431,521,551. However, the payments were not supported by documentary evidence such as acknowledgement letters and expenditure returns detailing how the funds were utilized.

In the circumstances, the regularity of Kshs.431,521,551 transferred to schools could not be confirmed.

978. Unsupported Cash Payments

Analysis of the payment details for expenditure incurred during the year revealed twelve (12) cash payments amounting to Kshs.523,082,932 comprising of an amount Kshs.478,399,092 and Kshs. 44,683,840 paid from Finance and Economic Planning and Agriculture, Livestock Development and Fisheries departments respectively. However, the supporting documents and the reasons for the huge cash payments were not provided for audit.

In the circumstances, the regularity of the payment of Kshs.523,082,932 could not be confirmed.

979. Accounts Receivables

979.1 Outstanding Imprests

The statement of assets and liabilities reflects accounts receivables – outstanding imprests amounting to Kshs.33,247,428. The outstanding imprest amount was due and ought to have been surrendered on or before 30 June, 2021. However, no explanation was provided for the non- surrender on the due dates or recovery measures taken against holders of the outstanding imprests. In addition, accounting documents for issued imprests such as memorandum cash books were not provided for audit.

Further, imprests totalling to Kshs.14,930,000 were issued to persons who held other uncleared imprests contrary to Regulation 93(8) of the Public Finance Management (County Governments) Regulations, 2015 which provide that no second imprest is to be issued to any officer before the first imprest is surrendered or recovered in full from his or her salary.

In addition, Note 15 to the financial statements reflects other accounts receivables amounting to Kshs.1,161,493,708,846 which is an increase of Kshs.331,901,122,687 from Kshs.829,592,586,159 recorded in the previous year. However, supporting documents and details of persons and entities from whom the amount was outstanding from including an aging analysis was not provided for audit.

In the circumstances, the irregularity of the other accounts receivables amounting to Kshs.1,161,493,708,846 reflected in the financial statements could not be ascertained.

980. Outstanding Electricity Bills

Annex 2 to the financial statements reflects pending bills to the Kenya Power and Lighting Company (KPLC) amounting to Kshs.477,771,272. However, the outstanding payments were not supported by a statement of account from KPLC or electricity consumption bills. In addition, the other accounts receivables amounting to Kshs.1,161,493,708,846 includes, Kshs.1,083,239,001 owing from KPLC in respect of unpaid way leaves. However, the County Executive did not maintain an account with the Company for purposes of netting off payable amounts against receivable amount. Additionally, a breakdown of the receivable amount from the company was not provided for audit.

In the circumstances, the regularity of pending bills of Kshs.477,771,272 could not be confirmed.

981. Pending Bills

Annex 5 to the financial statements reflect outstanding KCB bank for an outstanding loan amounting to Kshs.4,449,656,189. According to the Annex, no repayments were made during the year. Management did provide reasons for defaulting on the loan which may risk the assets pledged as collateral against the loaned amount. In addition, measures put in place to clear the outstanding loan amount including accrued interest was not outlined.

Further, other important disclosures to the financial statements reflect a summary of pending accounts payables totalling to Kshs.7,484,134,430 while Annex 2 to the financial statements reflects pending accounts payable amounting to Kshs.5,901,206,837 resulting in an unexplained and unreconciled difference of Kshs.1,582,927,593.

In the circumstances, the accuracy of the pending accounts payable disclosed in the financial statements could not be confirmed.

982. Voided Transactions

Review of expenditure analysis obtained from the Integrated Financial Management Information Systems, (IFMIS) revealed 1,192 payment transactions with a total expenditure of Kshs.4,066,735,905 which were invalidated during the year under review. However, there was no documentary evidence provided to support authorization and reasons for invalidation of the transactions which had been presented to the Controller of Budget (CoB) for approval. In addition, it was not confirmed whether there were unauthorized payments made in place of those that were invalidated.

In the circumstances, the validity, completeness, and approval of payments made during the year could not be ascertained.

Other Matter

983. Budgetary Control and Performance

The summary statement of appropriation – recurrent and development combined reflects final receipts budget and actual on comparable basis amounting to Kshs.37,881,734,935 and Kshs.29,553,905,838 respectively resulting to an under-funding of Kshs.8,327,829,097 or 22% of the budget. Similarly, the County Executive spent an amount of Kshs.29,582,031,455 against an approved budget of Kshs.37,881,734,935 resulting to an under-expenditure amounting to Kshs.8,299,703,480 or 22% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

984. Late Exchequer Releases

During the year under review, the County Executive received a total of Kshs.19,500,070,511 from exchequer. However, review of records revealed that an amount of Kshs.12,893,291,261 or 66% of the exchequer issues were received during the months of June and July, 2021, an indication of delayed disbursements of funds by The National Treasury.

Failure to remit Exchequer funds by The National Treasury may have impacted negatively on delivery of services to the public and other County Executive operations.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

985. Irregular Recruitment and Retention of Staff

During the year under review, the County Executive engaged one hundred and eight (108) casual workers on temporary basis. However, no documentation on the recruitment process including the advertisement, list of applicants, short list and the minutes of the interviews were provided for audit review. Further, the County Executive employed one thousand six hundred and twenty-three (1,623) new employees during the year. However, the human resource plan, approval for recruitment, advertisements and records of the recruitment process were not provided for audit review.

Review of biodata of new employees revealed that a total of a hundred and one (101) recruits had just turned 18 years old and had not been issued with identity cards at the time of recruitment and thus they may not have attained the majority age by the time the recruitment process began. Another twenty-seven (27) recruits were above the entry level age of forty-five as specified by the PSC manual on Human Resource practices.

In addition, the County Executive had in its payroll several employees who had attained the mandatory retirement age of 60. This was against Section L.5 (1) of the Public Service Commission of Kenya (County Public Service Human Resource Manual) which states that all officers will be required to retire from the service on attaining the mandatory retirement age of 60 years.

In the circumstances, Management was in breach of the law.

986. Duplicate Names and Account Numbers

Review of payroll data revealed that salaries for several employees were disbursed to accounts whose details were shared between two or more persons. Management did not provide an explanation for the staff sharing bank accounts contrary to the PSC Human Resource Policies, 2016.

In the circumstances, Management was in breach of the law.

987. Unremitted Statutory and Other Deductions

Review of records relating to statutory deductions and remittances revealed that an amount of Kshs.470,116,640 was deducted from employees' salaries in respect of pension schemes but was yet to be remitted to the respective institutions and schemes. The County Executive was therefore, in breach of Section19(4) of the Employment Act, 2007 which states that an employer who deducts an amount from an employee's remuneration in accordance with subsection (1)(a), (f), (g) and (h) shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement, court order or arbitration as the case may be.

In the circumstances, Management was in breach of the law.

988. Procurement of Goods and Services

988.1 Irregular Procurement of Specialized Materials and Services

Expenditure amounting to Kshs.140,341,451 on specialized materials and services reflected in Note 7 to the financial statements includes an amount of Kshs.29,748,016 incurred on procurement of Information Communications Technology (ICT) equipment. Review of procurement process and documents revealed instances where tenders were split contrary to Section 54(1) of the Public Procurement and Asset Disposal Act, 2015.

Further, firms awarded the contracts were not in the register of prequalified suppliers for the supply of computers and communications equipment in the year under review, and the process of identifying them was not disclosed.

In addition, inspection and acceptance reports for supplied equipment were not provided for audit, and thus no evidence that the items were supplied as indicated.

988.2 Irregular Procurement of Office and General Supplies and Services

Included in office general supplies and services expenditure amounting to Kshs.115,881,450 under use of goods and services are payments totalling to Kshs.75,048,155 towards purchase of office equipment through restricted tendering procurement method. However, use of the restricted tendering process did not meet the conditions set in Section 102 (1) of the Public Procurement and Asset Disposal Act, 2015. In addition, the membership of the opening, evaluation, and the inspection committee were same while a professional opinion was not provided on the bidders by the head of the procurement function to the accounting officer as required by the Act.

988.3 Irregular Extension of Medical Insurance Contract

During the year under review, an amount of Kshs.230,000,000 was paid to an insurance provider for provision of medical cover to the County Executive employees for the months of July, 2020 and August, 2020. Review of procurement of the services revealed that the Management extended an existing medical insurance contract by fifty-four (54) days effective 1 July, 2020 to end of August, 2020 due to non-responsiveness by bidders in a tender for the services. However, no documents were provided for audit to support Management claim that a tender had been advertised for which bidders failed to respond to leading to extension of the existing provider. Further, there were no minutes of the decision and approval by the accounting officer for the extension.

In the circumstances, Management was in breach of the law.

989. Lack of Staff Establishment

During the year under review, the County Executive did not provide evidence of existence of an approved staff establishment for audit review. Consequently, it was not established whether the Management adhered to Section 5 of the delegation of Public Service

Commission Human Resource functions to the Cabinet Secretary (Revised August, 2015) on staff establishment which states that Ministries and State Departments shall rationalize staffing levels in line with their current Ministerial mandates and approved budgets and proposals on the staff establishment shall be approved by the Public Service Commission before implementation.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

990. Inadequate Maintenance of Records by Enforcement Department

The Compliance and Enforcement Department of the County Executive serves enforcement notices and undertakes any other enforcement action in respect to physical development. However, examination of the Department's records revealed that some of the registers were old and mutilated and lacked backup copies. The records included; reports on arrests, court cases, notices, demolitions and complaints. Therefore, the information contained in the registers, though critical to the operations of the Department, was not maintained in a secure and efficient way.

Failure to maintain proper and up to date records by Management contravened Section 149(2)(c) of the Public Finance Management Act, 2012 which requires Accounting Officers to protect and back-up all financial and accounting records in their respective entities.

In the circumstances, existence of an effective recording system by the County Executive could not be confirmed.

CONCLUSION

The detailed reports for the County Executives for the year ended 30 June, 2021, together with my opinion are contained in the respective County Executive's audited financial statements for the year ended 30 June, 2021, which I have already submitted to the respective County Executives.

APPRECIATION

I wish to sincerely thank the entire staff of the Office of the Auditor-General for their commitment, passion and professionalism in carrying out their duties. Special appreciation goes to the Reports review and finalization team that prepared this Consolidated Audit Report.

I wish also to appreciate my clients/auditees for the cooperation they accorded my staff during the audit.

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

16 November, 2022

Appendix A: List of County Executives and Audit Opinions given on their Financial Statements

1. Certificates with Unqualified Opinion

County Code	County Executive	Opinion
45	Kisii	Unqualified

2. Certificates with Qualified Opinion

County Code	County Executive	Opinion
1	Mombasa	Qualified
2	Kwale	Qualified
3	Kilifi	Qualified
4	Tana River	Qualified
6	Taita/Taveta	Qualified
7	Garissa	Qualified
8	Wajir	Qualified
9	Mandera	Qualified
11	Isiolo	Qualified
12	Meru	Qualified
13	Tharaka-Nithi	Qualified
14	Embu	Qualified
15	Kitui	Qualified
16	Machakos	Qualified
17	Makueni	Qualified
18	Nyandarua	Qualified

County Code	County Executive	Opinion
19	Nyeri	Qualified
20	Kirinyaga	Qualified
22	Kiambu	Qualified
23	Turkana	Qualified
24	West Pokot	Qualified
25	Samburu	Qualified
26	Trans Nzoia	Qualified
27	Uasin Gishu	Qualified
28	Elgeyo/Marakwet	Qualified
29	Nandi	Qualified
31	Laikipia	Qualified
32	Nakuru	Qualified
34	Kajiado	Qualified
35	Kericho	Qualified
36	Bomet	Qualified
37	Kakamega	Qualified
39	Bungoma	Qualified
40	Busia	Qualified
41	Siaya	Qualified
43	Homa Bay	Qualified
44	Migori	Qualified
46	Nyamira	Qualified

3. Certificates with Adverse Opinion

County Code	County Executive	Opinion
5	Lamu	Adverse
10	Marsabit	Adverse
21	Murang'a	Adverse
30	Baringo	Adverse
33	Narok	Adverse
38	Vihiga	Adverse
42	Kisumu	Adverse
47	Nairobi	Adverse

4. Certificates with Disclaimer of Opinion

None