

# REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF BARINGO FOR THE YEAR ENDED 30 JUNE, 2019

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## REPORT ON THE FINANCIAL STATEMENTS

### Qualified Opinion

I have audited the accompanying financial statements of County Executive of Baringo set out on pages 1 to 44, which comprise the statement of financial assets and liabilities as at 30 June, 2019, and statement of receipts and payments, statement of cash flows and statement of appropriation: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of County Executive of Baringo as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with Public Finance Management Act, 2012 and County Governments Act, 2012.

### Basis for Qualified Opinion

#### 1. Unexplained Expenditure Variances

Several of the balances reflected in the financial statements for the year under review vary from identical account balances reflected in the Integrated Financial Management System (IFMIS) trial balance as at 30 June, 2019. The variances are shown in the attached appendix I.

In addition, five expenditure accounts in the statement of receipts and payments reflect payments totalling Kshs.4,917,043 but analysis of records on the accounts indicate payments totalling Kshs.4,856,697,924 resulting in a variance of Kshs.60,345,757 as shown in appendix I.

Management has not provided plausible explanations for these discrepancies and as a result, the accuracy of the financial statements for the year ended 30 June, 2019 has not been confirmed.

#### 2. Unsupported Own-Generated Revenue

The statement of receipts and payments for the year ended 30 June, 2019 reflects County own-generated receipts totalling Kshs.359,809,968, as further disclosed under Note 9 to the financial statements. Included in the balance is other health and sanitation revenue totaling Kshs.119,724,915. Of this amount, Kshs.5,496,210 relates to health charges and fees from Kabartonjo District Hospital. However, the receipts generated through the electronic revenue collection system used at the Hospital, as well as cashbooks and banking slips on the revenue, were not presented for audit review. As a result, the

accuracy and completeness of the own-generated revenue balance totalling Kshs.359,809,968 reflected in the statement of receipts and payments for the year ended 30 June, 2019 have not been confirmed.

### **3. Discrepancies in Cash and Cash Equivalent Balances**

The statement of assets and liabilities as at 30 June, 2019 reflects a cash and cash equivalents balance totalling Kshs.2,147,170,996, as further disclosed under Note 21A to the financial statements. However, the balance contains the following anomalies:

#### **3.1. Unreconciled Bank Balances**

The cash and cash equivalents balance includes Kshs.169,397,877 held in twenty-eight (28) bank accounts. However, balances shown in the respective bank statements as at 30 June, 2019 amounted to Kshs.194,241,829 in aggregate resulting in a difference of Kshs.24,843,95 between the two sets of records. No plausible explanation has been provided by Management for the anomaly.

#### **3.2. Undisclosed Bank Accounts**

The County Executive operates one hundred and ninety-two (192) commercial bank accounts that it uses to disburse funds to dispensaries. However, the closing balances held in the accounts have not been incorporated in the financial statements. In addition, when the audit sought to confirm the balances, the respective banks did not respond to the circularization letters.

In the absence of sufficient and reliable information, the accuracy of the cash and cash equivalents balance totalling Kshs.2,147,170,996 reflected in the statement of assets and liabilities as at 30 June, 2019 has not been confirmed.

### **4. Unconfirmed Use of Grants and Transfers**

The statement of receipts and payment for the year ended 30 June, 2019 reflects other grants and transfers totalling Kshs.269,717,932, as further disclosed in Note 15 to the financial statements. However, the balance contains the following anomalies:

#### **4.1. Unsupported Grant to Lake Bogoria Community**

Included in other current transfers and grants totalling Kshs.215,388,599 is a grant amounting to Kshs.7,000,000 made to Lake Bogoria Community being ten percent (10%) rebate of the prior-year audited revenue collected from Lake Bogoria by the County Government. However, the respective expenditure returns were not availed for audit to confirm how the grants were used and further, there was no evidence to show that the County Executive approved and monitored the projects undertaken by the community.

In the circumstances, it is not possible to confirm that the grants totalling Kshs.7,000,000 remitted to the Lake Bogoria Community during the year under review were received and used for the intended purposes.

#### **4.2. Un-Submitted Fund Account Financial Statements**

During the year under review, grants totalling Kshs.96,329,333 were transferred to four (4) County Funds namely Baringo County Bursary Fund, Baringo County Emergency Fund, Baringo County Executive Mortgage Fund and Baringo County Community Wildlife Conservation Grant Fund.

However, the financial statements for the Funds were not prepared and submitted to the Auditor-General for audit as required by Section 116(7) of the Public Finance Management Act, 2012 and Section 47 of the Public Audit Act, 2015.

As a result, it is not possible to confirm that the grants totalling Kshs.96,329,333 were received by the targeted communities and used for the intended purposes.

In view of these anomalies, the accuracy and completeness of the other grants and transfers balance totalling Kshs.269,717,932 reflected in the statement of receipts and payments for the year ended 30 June, 2019 has not been confirmed.

## **5. Unconfirmed Fixed Assets**

### **5.1. Variance Between Fixed Asset Balances in the Fixed Asset Register and Financial Statements**

Annex 5-to the financial statements discloses the County Executive's summary of fixed assets that reflects aggregate assets with historical cost of Kshs.2,588,204,866. However, the electronic database asset register reflects assets with carrying amount of Kshs.1,871,776,575 resulting to an unreconciled variance of Kshs.716,428,291. Further, analysis of acquisition of assets expenditure in the five (5) years to 30 June, 2019 reflects a cumulative balance of Kshs.5,900,149,346 which, similarly, differs by Kshs.3,311,944,480 with the balance of Kshs.2,588,204,866 reported in the financial statements.

Consequently, the completeness and accuracy of the cumulative assets balance amounting to Kshs.2,588,204,866 reflected in the assets register cannot be confirmed.

### **5.2. Lack of Disclosure for Assets Inherited from Defunct Local Authorities**

The County Government inherited fixed assets including land and buildings from the defunct County Councils of Baringo and Koibatek; and the Municipal Council of Kabarnet. However, no reports on verification of the assets by Management were presented for audit and further, information available indicated that valuation of the assets was yet to be finalized.

In the circumstance, the completeness and accuracy of the asset balance amounting to Kshs.2,588,204,866 reflected in the statement of assets and liabilities as at 30 June, 2019 has not been confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Executive of Baringo in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable

to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matter(s) described in the Basis for Qualified Opinion section, I have determined that, there are no other key audit matters, to communicate in my report.

## **Other Matter**

### **1. Budgetary Control and Performance**

#### **1.1 Under-collection of Revenue**

The summary statement of appropriation - recurrent and development combined for the year ended 30 June, 2019 reflects final county own-generated receipts budget and actuals on comparable basis amounting to Kshs.371,147,446 and Kshs.359,809,969 respectively resulting in under-collections amounting to Kshs.11,337,477 or 3% of the budget.

#### **1.2 Under-Absorption of Expenditure**

The summary statement of appropriation - recurrent and development combined for the year ended 30 June, 2019 reflects final expenditure budget and actuals on comparable basis amounting to Kshs.8,125,027,460 and Kshs.5,545,571,968 respectively resulting in under-expenditure of Kshs.2,579,455,492 or 32% of the budget.

The data indicates that the County Executive's budgetary performance was fairly good although the revenue and expenditure targets were not attained. Failure to achieve revenue targets and under-absorption of budgets hampers service delivery and attainment of development targets.

### **2. Unexplained Pending Bills**

Notes 1 and 2 of the other important disclosures section of the financial statements show pending accounts and staff payables balances totalling Kshs.70,137,124 and Kshs.13,138,245 respectively, and Kshs.83,275,369 in aggregate. Management has not provided an explanation for the pending bills in spite of holding and rolling-over a very large cash and bank balance amounting to Kshs.2,147,787,702 as at 30 June, 2019.

### **3. Prior-Year Issue- Irregular Procurement Practices**

During the 2017/2018 financial year, the County Executive floated 460 quotations for procurement of various items from suppliers in the County. However, examination of the quotations register indicated that several quotations that were not collected or returned by bidders were nonetheless used to procure items worth Kshs.10,864,733.

It was not clear how the procurement section obtained the bids from the vendors. The anomaly suggested that there was irregular or fraudulent activity in the procurement and

further, the process was not competitive. Management did not provide any plausible explanation for the anomaly.

In the circumstance, it was not possible to confirm that value for money was obtained in the purchase of the items valued at Kshs.10,864,733.

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

### Conclusion

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

### Basis for Conclusion

#### 1. Irregular Commercial Bank Accounts

The statement of assets and liabilities as at 30 June, 2019 reflects an aggregate bank balance amounting to Kshs.2,147,170,996; (2018-Kshs.1,606,988,159), as further disclosed under Note 21A to the financial statements.

Included in the balance is Kshs.128,329,664 held in forty-four (44) commercial bank accounts operated contrary to Regulation 82(1) of the Public Finance Management (County Governments) Regulations, 2015. The Regulation requires all bank accounts of County Governments, other than imprests accounts, to be operated at the Central Bank of Kenya.

Therefore, in operating the accounts with commercial banks, the County Executive was acting contrary to government banking regulations.

#### 2. Irregular Use of Goods and Services Expenditures

The statement of receipts and payments reflects expenditure on use of goods and services totalling Kshs.751,887,971;(2018-Kshs.565,992,633), as further disclosed under Note 12 to the financial statements. However, examination of records revealed the following unsatisfactory matters in respect to the expenditures:

##### 2.1 Irregular Payment of Legal Fees

Included in the operating expenses totalling Kshs.138,682,398 incurred during the year under review were payments for legal fees totalling Kshs.15,496,000 out of which Kshs.7,000,000 was a partial payment made against Kshs.17,570,907 demanded for services rendered by a legal firm. The unpaid balance amounting Kshs.10,570,907 attracted interest at the rate of 14% per annum as provided for in the contract signed with the legal firm. Although the services were contracted by the County Executive, they entailed defending the National Government in a legal suit.

Management has not explained why the County Executive chose to act for the National Government in a matter tasked to the Attorney-General by the Law.

Consequently, the expenditure totalling Kshs.17,570,907 incurred on the legal suit was irregular and budgetary funds allocated to the County were not spent in an effective way.

## **2.2 Irregular Payments to Council of Governors**

Included in other operating expenses totalling Kshs.138,682,398 reflected in the statement of receipts and payments for the year under review is Kshs.5,188,780 paid to the Council of Governors being the County's contribution in offsetting the Council's expenses. However, the payment contravened Section 37 of the Inter-Governmental Relations Act, 2012, which states that all operational expenses of the Council of Governors shall be met by the National Government.

Therefore, the expenditure incurred on the Council was irregular.

## **2.3 Excess Compensation of Employees Expenditure**

During the year under review the County Executive spent Kshs.2,765,211,717 on compensation of employees. The sum was equivalent to 36% of total County revenue totalling Kshs.7,657,418,310 and therefore was in excess of the threshold of 35% set for the item in Section 25 (1) (a, b) of the Public Finance Management (County Governments) Regulations, 2015.

As a result, Management breached the law on control of personnel emoluments expenditure.

## **3. Excess Transfers to the County Assembly**

The statement of receipts and payments for the year ended 30 June, 2019 reflects transfers to other government units totalling Kshs.628,528,287;(2018-618,653,558),as further disclosed in Note 14 to the financial statements. The transfers were made to the County Assembly of Baringo during the year under review. However, they exceeded the threshold set in law of seven percent (7%) of County revenue, or two hundred percent (200%) of the personnel emoluments of the County Assembly whichever is lower. In the year under review, the maximum transferable amount was Kshs.536,019,282 instead of Kshs.628,528,287 disbursed which resulted to an overpayment of Kshs.92,509,005. The overpayment contravened Section 25(1)(f) and (h) of the Public Finance Management (County Governments) Regulations, 2015.

Consequently, the excess Kshs.92,509,005 transfer made to the County Assembly of Baringo was irregular.

## **4. Unbilled Land Rates and Rents**

The statement of receipts and payments for the year ended 30 June, 2019 reflects county-owned-generated receipts totalling Kshs.359,809,968, as further disclosed under Note 9 to

the financial statements. Included in the receipts are land rates totalling Kshs.14,326,886. Whereas the valuation roll reflected 599 plots with expected rent and rates income totalling Kshs.290,155,000, only 302 of the plots were billed. Therefore, 297 plots with potential revenue totalling Kshs.113,081,500 were not billed. As is evident, the County's land rates collections were less than 5% of the potential revenue from this source. Further there was no evidence of revenue collected from visitors to Lake Kamnarok National Reserve Conservancy, meat inspection fees in Tiaty Sub-county, and other revenue sources identified in the Baringo County Finance Act, 2016.

Therefore, the County Executive lost revenue in the year under review by not billing some revenue sources and collecting only some of the amounts due from those billed.

## 5. Unsatisfactory Implementation of Projects

### 5.1 Incomplete, Unused Project Infrastructure

The project implementation status report provided for audit reflected twenty-eight (28) projects that were at varying stages of completion as highlighted below:

<b>Project Status</b>	<b>No. of Projects</b>	<b>Contract Sum (Kshs.)</b>	<b>Total Payments as at 30 June, 2019 (Kshs.)</b>	<b>% of Contract Sum Paid</b>
Complete and in use	7	352,943,293	316,972,870	90
Complete but not in use	19	87,010,529	79,999,302	92
Incomplete & Behind Schedule	2	159,072,155	33,014,464	21
<b>Grand Total</b>	<b>28</b>	<b>599,025,977</b>	<b>429,986,636</b>	<b>72</b>

As the data shows, only seven (7) out of twenty-six (26) completed projects were in use. The remainder nineteen (19) were not put to use whereas two others were behind their scheduled completion dates. Additional data on the projects is outlined in Appendix II.

Therefore, the residents of Baringo County have not received any value from the funds totalling Kshs.79,999,302 invested in the completed but unused projects.

No plausible explanation has been provided for the failure to put the nineteen (26) completed projects to use and for the delay in completing the remainder two (2).

### 5.2 Incomplete Projects, Unsatisfactory Works and Projects Done on Private Lands

Verification of twelve (12) projects on which payments totalling Kshs.71,853,284 had been made as 30 June, 2019 revealed several issues including, poor workmanship, location on private lands and ineligible expenditures, among other anomalies. The observations made in respect of each of the projects are outlined in Appendix III. No plausible explanation has been provided by Management for the unsatisfactory performance.

In view of the anomalies, it is not possible to confirm that value for money was obtained from the expenditures incurred on the projects.

## **6. Purchase of Unbudgeted for Monitoring and Evaluation System**

Included in the payments on acquisition of assets totalling Kshs.1,126,452,702 incurred during the year under review are construction of buildings costs totalling Kshs.342,375,413. The costs in turn include Kshs.6,544,036 paid in respect to consultancy services for development of a County Integrated Monitoring and Evaluation Information System (CIMES) procured at a contract price of Kshs.34,979,800. Management has not explained the user requirements that the system's outputs will satisfy and further, why the expenditure was charged to construction of buildings. In addition, there is no evidence that the system was among the projects planned for in the County Integrated Development Plan for 2017-2022.

In the circumstance, it is not possible to confirm whether value for money will be realized from the costs totalling Kshs.34,979,800 expected to be incurred to procure the system.

## **7. Unbudgeted for Medical Equipment Expenditure**

Analysis of expenditure records for the years 2017, 2018 and 2019 reflects payments totalling to Kshs.391,489,362 on account of Leased Medical Equipment Scheme (LMES) items supplied by the National Government and put to use in the County.

However, Management did not present the Scheme's financing agreement for audit review and there was no evidence showing that operational and maintenance costs for the equipment were budgeted for. Therefore, the criterion used to pay for the equipment was not clear. Further, the County did not receive the Computed Tomography (CT) Scan and Magnetic Resonance Imaging (MRI) machines of unspecified value expected in the package.

As a result of these omissions, it is not possible to confirm whether the County obtained value for money for payments totalling Kshs.391,489,362 made in respect of the equipments.

## **8. Abandoned Project on Re-Design and Renovation Works at Mogotio Information Centre**

A tender for re-design and renovation works at Mogotio Information Centre was awarded to a contractor at a sum of Kshs.26,750,335. However, the County issued a notice for termination of the contract on 28 June, 2019 after the contractor reportedly breached the terms of the contract. Examination of expenditure records indicated that the contractor had received payments totalling Kshs.18,583,925 equivalent to 70% of the contract sum by the time he abandoned the contract. However, there was no valuation indicating the work done as well as pending works. At the time of the audit, the works had not resumed and no budgetary provisions had been made to complete the Project.

With the project abandoned before completion, its expected benefits have not been realized. Further, there is risk that the investment amounting to



Kshs.18,583,925 incurred on the project will be impaired and additional funds may have to be invested to complete the project.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Long Outstanding Imprests**

The statement of assets and liabilities as at 30 June, 2019 reflects accounts receivables-outstanding imprests balance totalling Kshs.19,270,849; (2018-Kshs.3,527,643), as further disclosed under Note 22 to the financial statements. However, examination of imprest records indicated that out of this balance, imprests totalling Kshs.6,164,750 were outstanding for more than six (6) months. In addition, Kshs.6,935,900 of the balance was held by staff with more than one imprest contrary to Section 93(5) and 93(4)(b) of the Public Finance Management (County Governments) Regulations, 2015. The regulation disallows issuance of new imprests to officers with outstanding balances.

No plausible explanation has been provided by Management for failure to recover the balances from the imprest holders.

#### **2. Lack of Staff Establishment and Informal Appointment of Staff**

Contrary to the requirements of Section B(5)(2) of the County Public Service Human Resource Manual, 2013, the County does not have an approved staff establishment, showing staffing information, including deployments and numbers as well as cadres of authorized and actual employees.

Further, during the financial year under review, the County appointed forty-three (43) new members of staff to various positions on unclear terms. Payroll records indicated that

wages totalling Kshs.7,859,569 were paid to the staff although none of them had signed any kind of employment contract with the County Executive. Therefore, the informal staff appointments and the attendant wages paid were irregular.

### **3. Lack of Human Resource Manual and Work Plans**

The County Government Act, 2012 requires each County Public Service Board to facilitate the development of coherent, integrated human resource planning and budgeting systems on behalf of the County Government. However, the County Executive of Baringo has not documented its policy for management of its human resource. Furthermore, work plans on staff training, performance management, monitoring and evaluation of operational and project activities have not been established.

In view of the omission, the County Executive has breached the law and also runs the risk of not obtaining value for the money invested in its human resource.

### **4. Non-adherence to One-third Salary Deductions Rule**

Analysis of the Integrated Personnel and Payroll Database (IPPD) revealed that during the year under review, net monthly pay for some officers was less than one-third of their respective basic salaries contrary to Section C1(3) of the Human Resource Policies and Procedures Manual for the Public Service (2016). The regulation prohibits check-off deductions on monthly pay beyond two thirds (2/3) of basic salary. Therefore the County Executive breached the law and exposed the staff to the risk of pecuniary embarrassment.

### **5. Lack of Risk Management Policy**

Sections 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations 2015 requires accounting officers to develop risk management strategies, that include fraud prevention and internal control. However, review of the County Executive of Baringo operational systems revealed that the County is yet to document its risk management policies and strategy. As a result, identification, measurement and mitigation of the risks facing the County are not managed in a structured way.

Therefore, risk exposure in the County Executive's operations is high and in addition ways to mitigate the risks are not clearly thought out. This has exposed public resources to severe loss and disruption should unexpected events occur.

### **6. Un-Requisitioned Drugs and Other Non-Hospital Supplies**

The statement of receipts and payments reflects use of goods and services totalling Kshs.751,887,971;(2018-Kshs.565,992,633), as further disclosed under Note 12 to the financial statements. Included in the balance is specialized materials and services expenditure totalling Kshs.174,339,822 which includes payments to the Kenya Medical Supplies Agency (KEMSA) amounting to Kshs.165,748,067 for supply of medical drugs, non-pharmaceuticals and lab reagents. However, the orders placed with KEMSA were

for items valued at Kshs.123,225,864 only. Therefore, payments made to KEMSA exceeded the orders by Kshs.42,522,203.

Further, supplies worth Kshs.24,901,420 from KEMSA to Eldama Ravine Sub-County Hospital were not recorded in the Hospital's store records. They were, reportedly, distributed to various health centers and dispensaries within the Sub-County without the respective issue vouchers, bincard entries and distribution lists. Further, drugs worth Kshs.2,812,500 meant for Marigat Sub-county Hospital were not received.

In the circumstances, control over receipt and issuance of the drugs was not effective and may have led to loss of public funds through nugatory payments, unauthorized stores issues, loss of drugs and overspending.

Management have not provided plausible explanations for these anomalies.

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

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

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

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

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the County Executive 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 overall

governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

- As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also: Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County Executive's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County Executive to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the County Executive of Baringo to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**18 November, 2020**  
**Appendix I**

## **Unexplained Expenditure Variances**

### **(i) Variances Between Financial Statement and IFMIS Balances**

<b>Item</b>	<b>Financial statements Balance (Kshs.)</b>	<b>IFMIS Trial Balance (Kshs.)</b>	<b>Unexplained Variance (Kshs.)</b>
Compensation of Employees	2,765,211,717	3,094,092,474	(328,880,757)
Use of Goods and Services	751,887,971	1,008,536,537	(256,648,566)
Other Grant and Transfer	269,717,932	291,717,345	(21,999,413)
Acquisition of Assets	1,126,452,702	1,144,947,934	(18,495,232)
Bank Balance	2,147,170,996	15,124,923,392	(12,977,752,396)
Accounts Receivable – Outstanding Imprest	19,270,849	131,906,785	(112,635,936)
Accounts Payables	55,212,208	14,003,107	41,209,101
Withholding Taxes	0	36,343	(36,343)
System Required Liabilities A/cs	0	15,289,950	(15,289,950)
<b>Total</b>	<b>7,134,924,375</b>	<b>20,825,453,867</b>	<b>(13,690,529,492)</b>

**(ii) Variances between Financial Statement and County Executive records**

<b>Payments</b>	<b>Financial Statements Balance (Kshs.)</b>	<b>Balance in County Executive Records (Kshs.)</b>	<b>Unexplained Variance (Kshs.)</b>
Compensation of Employees	2,765,211,717	2,713,988,865	51,222,852
Use of Goods and Services	751,887,971	642,076,080	109,811,891
Other Grants and Transfers	269,717,932	265,035,387	4,682,545
Acquisition of Assets	1,126,452,702	1,074,629,413	51,823,289
Other Payments	3,773,359	160,968,180	(157,194,821)
<b>Total</b>	<b>4,917,043,681</b>	<b>4,856,697,925</b>	<b>60,345,756</b>

**Appendix II**

**Incomplete Projects, Unsatisfactory Works and Projects Done on Private Lands**

<b>No.</b>	<b>Project</b>	<b>Amount Paid (Kshs.)</b>	<b>Remark</b>
1	Tank and Pipeline Extension for Emkwen Water Project	2,745,500	Located on private land, not labelled
2	Boin Water Project	2,183,505	Poor workmanship, located on private land, no signage
3	Nyoger Water Project	2,283,873	Poor workmanship and not operational, located on private land
4	Chepukat Water Pan	3,379,000	Incomplete
5	Nakwapuo Water Pan	3,660,500	Incomplete
6	Emining Saos Road	10,071,514	Repair works undertaken by the Kenya Rural Roads Authority (KERRA)
7	Rapid Response Initiative (Imarisha Barabara)	11,054,000	Road works not certified and no Miscellaneous Receipt from Ministry of Transport and Infrastructure
8	Imarisha Barabara Program	6,995,141	There was no bush clearing, no culverts or shoulder formations done to allow drainage
9	Barwesa Primary School	496,800	Project falls under mandate of the National Government but done without any authority or agreement with the National government
10	Levelling Various Fields in Secondary and Primary Schools	6,687,172	
11	Rehabilitation of Kabarnet Municipal Market	19,459,557	Project was incomplete and approval from the Kenya Urban Road Authority (KURA) which manages roads within the town was not granted before execution. Contract price adjusted irregularly.
12	Pedestrian Walkway and Parking Bays	2,836,722	The contract was not awarded to the lowest bidder. Payment was unsupported by certificate of completion and approval from the Kenya Urban Road Authority (KURA).
	<b>Total</b>	<b>71,853,284</b>	

## Appendix III

### Uncompleted and Completed but Unused Project Infrastructure

No.	Project	Contract Sum/ Budget (Kshs.)	Cumulative Payments (Kshs.)	Project Status
1	Kabarnet Stadium	17,500,000	16,776,268	Project incomplete
2	OPD Block at Eldama Ravine Sub-County Hospital	12,641,698	4,896,947	Project incomplete
3	Mogotio Information Centre	26,750,335	18,583,925	Project incomplete
4	Irrigation Schemes	234,512,431	234,512,431	Project incomplete
5	Eldama Ravine Milk Processing Plant	19,671,680	9,822,340	Project incomplete
6	Barwesa Slaughter House	27,890,669	18,404,479	Project incomplete
7	Mini -Tannery at Mogotio Township	13,976,480	13,976,480	Project incomplete
8	surgical ward at County Referral Hospital Kabarnet – Baringo	138,670,470	20,967,712	Incomplete and behind schedule
9	Casualty Block at Marigat Hospital	20,401,685	12,046,752	Incomplete and behind schedule
10	Maternity block at Churo	2,905,733	2,905,733	Complete but not in use
11	General ward at Barwessa ward	2,917,099	2,917,099	Complete but not in use
12	Dispensary block at Nuregoi	4,816,386	4,816,386	Complete but not in use
13	Terik dispensary	1,508,998	1,508,998	Complete but not in use
14	Longewan dispensary	4,994,948	4,994,948	Complete but not in use
15	ward block at Marigat Hospital	5,117,939	5,117,939	Complete but not in use
16	Dispensary block at Chemngorion.	5,162,400	5,162,400	Complete but not in Use
17	Dispensary block at Chewara	5,253,100	5,253,100	Complete but not in use
18	Dispensary block at Katikit	5,269,550	1,552,153	Complete but not in use
19	Dispensary block at Orus	5,178,553	5,178,553	Complete but not in use
20	Ward block Chemolingot h/c	5,058,545	5,058,545	Complete but not in use
21	Dispensary block at Cheptaran health center	4,997,570	4,997,570	Complete but not in use



<b>No.</b>	<b>Project</b>	<b>Contract Sum/ Budget (Kshs.)</b>	<b>Cumulative Payments (Kshs.)</b>	<b>Project Status</b>
22	Maternity at Kaptimbor dispensary	5,399,910	5,399,910	Complete but not in use
23	Maternity block at Kasitet	5,073,794	5,073,794	Complete but not in use
24	Maternity works at Radat health center	5,610,666	5,105,115	Complete but not in use
25	ward block at Mugurin	5,305,074	5,305,074	Complete but not in use
26	Koitebes maternity block	6,100,000	6,100,000	Complete but not in use
27	Kitchen block at Arama.	1,445,383	1,445,383	Complete but not in use
28	Ngaina dispensary block	4,894,881	2,106,602	Complete but not in use
	<b>Total</b>	<b>599,025,977</b>	<b>429,986,636</b>	