

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Executive of Elgeyo Marakwet set out on pages 1 to 42, which comprise statement of assets and liabilities as at 30 June, 2019, and the statement of receipts and payments, the statement of cash flows, summary statement of appropriation; recurrent and development combined, budget execution by programmes and sub-programmes 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 the County Executive of Elgeyo Marakwet 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 the Public Finance Management Act, 2012 and the County Governments Act, 2012.

Basis for Qualified Opinion

1. Presentation of the Financial Statements

1.1 Variance Between Financial Statements and IFMIS Balances

The statement of receipts and payments for the year ended 30 June, 2019 reflects payments totalling Kshs.4,428,199,059 which balance, however, differs by Kshs.1,424,804 with the Integrated Financial Management Information System (IFMIS) ledger balance totalling Kshs.4,429,623,863 reflected in the statement of budget execution by programmes and sub-programmes. Management has explained that the variance resulted from payments which were charged to an incorrect account and that the National Treasury has been requested to grant the County Treasury access rights to IFMIS to correct the error. However, this information has not been disclosed in the Notes to the financial statements.

Consequently, the accuracy and completeness of the payments totalling Kshs.4,428,199,059 reflected in the statement of receipts and payments for the year under review has not been confirmed.

In addition, several balances reflected in the financial statements differ with identical account balances shown in IFMIS, as summarized in the attached Appendix I.

In view of these anomalies, the accuracy of the financial statements for the year ended 30 June, 2019 has not been confirmed.

2. Revenue Balances

2.1 Irregular Accounting for Exchequer Releases

The statement of receipts and payments for the year ended 30 June, 2019 reflects exchequer releases totalling Kshs.3,768,000,000, as further disclosed in Note 1 to the financial statements. The balance includes Kshs.301,440,000 received on 05 July, 2019. The revenues were received after 30 June, 2019 and therefore rightfully relate to the 2019/20 financial year. Management has explained that the National Treasury, through Circular PSASB 1/12/Vol.1((44) of 25 June, 2019, allowed the Exchequer Releases be treated as a receipts for the year under review and expenditure commitments be made from the funds. However, this was contrary to Section 97(1)(4) of the Public Finance Management (County Government) Regulations, 2015 and the Cash Basis of Accounting prescribed in IPSAS 1.2.1 used to prepare the financial statements.

Consequently, the treatment of the Exchequer releases balance totalling Kshs.3,768,000,000 in the financial statements for the year ended 30 June, 2019 does not conform to the prescribed reporting standards and format.

2.2 Unconfirmed Own-Generated Revenue Balance

The statement of receipts and payments for the year ended 30 June, 2019 reflects own-generated revenue totalling Kshs.141,609,140. However, examination of revenue records indicated that collections for the year totalled Kshs.33,470,055 resulting to an unexplained variance of Kshs.108,139,085.

Management has not provided a plausible explanation for the anomaly.

In addition, the receipt vouchers used to collect the revenue were not serialized and therefore it was not possible to confirm whether all revenues received were accounted for.

Consequently, the accuracy and completeness of own-generated revenue balance totalling Kshs.141,609,140 reflected in the statement of receipts and payments for the year ended 30 June, 2019 has not been confirmed.

2.3 Unbanked Revenue

The statement of receipts and payments for the year ended 30 June, 2019 reflects own-generated revenue totalling Kshs.141,609,140 while records at the County Treasury reflect collections totalling Kshs.3,856,473,390 in respect to the account, as highlighted in the table below:

Status of Receipts	Number of Receipts	Total Kshs.
Invalid	270	69,050

Valid	127,881	2,152,199,845
Voided	40	1,704,204,495
Grand Total	128,191	3,856,473,390

The records further indicated that, out of the valid receipts totalling Kshs.2,152,199,845, only receipts totalling Kshs.141,469,821 were banked. The remainder amounting Kshs.2,010,730,024 have not been accounted for. In addition, receipts totalling Kshs.1,704,204,495 were shown as voided and were therefore not recognized as revenue.

Although Management has explained that the anomalies were caused by random errors generated by software in its newly acquired electronic revenue management system, no analyses have been provided to show how the discrepancies arose.

Further, as stated previously, the receipts used to collect the revenues were not serialized and as a result, it was not possible to confirm whether all revenues collected were accounted for.

In the circumstances, the accuracy and completeness of the own-generated revenue totalling Kshs.141,609,140 reported in the financial statements for the year under review has not been confirmed.

3. Unsupported Prior Year Adjustments

The statement of assets and liabilities as at 30 June, 2019 reflects prior year adjustments totalling Kshs.2,131,440 made on accounts payables, as disclosed in Note 25 to the financial statements. However, the adjustments are not explained with journal entries, or otherwise. Further, although IPSAS 1.5.2 requires the reporting entity to disclose in the Notes to the financial statements whenever comparative information is restated, or state that it is impracticable to do so, no such disclosure has been made in the financial statements.

Consequently, the completeness and accuracy of the prior year adjustments totalling Kshs.2,131,440 made on the accounts payables balance reflected in the statement of assets and liabilities as at 30 June, 2019 has not been confirmed.

4. Inaccurate Cash and Cash Equivalents

The statement of assets and liabilities as at 30 June, 2019 reflects cash and cash equivalents bank balance amounting to Kshs.713,490,935, as further disclosed in Note 21A to the financial statements. However, Annex 6 to the financial statements shows extracts of IFMIS bank reconciliation statements which vary with bank balances disclosed in the Note 21A, as summarized in Appendix II.

In addition, two reconciliation statements for the Central Bank of Kenya (CBK) Development Account No.1000171391 as at 30 June, 2019 reflect different negative cash book balances amounting to Kshs.1,017,076,831 and Kshs.1,345,166,590. In addition, bank reconciliation statements for ten (10) bank accounts are not attached to the financial statements, as required by the reporting format prescribed by the Public

Sector Accounting Standards Board. Further, five (5) bank accounts were, as at 30 June, 2019, overdrawn by Kshs.4,533,238,799 in aggregate without approval of the County Assembly.

Note 21A further indicates that the CBK Development of Youth Polytechnic - Account No.1000367946 balance as at 30 June, 2019 amounts to Kshs.272,245 which however, is the bank balance and not adjusted cashbook balance. In addition, the bank reconciliation statements presented in respect to CBK Account No.1000171421 are for the period July, 2015 to 30 June, 2016 and therefore do not relate to the year under review.

No plausible explanations have been provided by Management for these discrepancies. As a result, the accuracy and completeness of cash and cash equivalents balance amounting to Kshs.713,490,935 reflected in the statement of assets and liabilities as at 30 June, 2019 has not been confirmed.

5. Unreconciled Compensation of Employees

The statement of receipts and payments for the year ended 30 June, 2019 reflects compensation of employees payments totalling Kshs.2,093,295,478 which is also reflected in IFMIS but varies from the manual and IPPD payroll records balance amounting to Kshs.2,017,127,040.

Management has not provided a plausible explanation for the difference amounting to Kshs.76,168,438 between the two sets of records.

In the circumstance, the accuracy and completeness of the compensation of employees' expenditure totalling Kshs.2,093,295,478 reflected in the statement of receipts and payments for the year ended 30 June, 2019 has not been confirmed.

6. Non-Disclosure of Temporary Employees

The statement of receipts and payments for the year ended 30 June, 2019 reflects compensation of employees payments totalling Kshs.2,093,295,478 which sum includes Kshs.6,684,470 incurred on basic wages for temporary employees. However, Note 11 to the financial statements reflects a nil balance in respect to the item. Management has not provided a plausible explanation for the anomaly.

Further, available records indicate that the County Public Service Board delegated authority to recruit and dismiss temporary employees to Chief Officers in 2014, but only with the approval of the Board. However, there was no evidence to show that Management sought approval of the Board before hiring the employees as required in Section 119(2) of Public Finance Management Regulations (County Government), 2015.

7. Misclassification of Expenses

7.1 Transfers to other Government Entities

The statement of receipts and payments for the year ended 30 June, 2019 reflects transfers to other government units totalling Kshs.784,202,004 which include Kshs.16,488,548 incurred on withholding tax, retention monies and financial assistance to Cooperative Societies and Kshs.70,450,819 incurred on acquisition of assets. No plausible explanation has been provided by Management for treating the expenses as transfers to other government entities.

In the circumstance, the accuracy and completeness of transfers to other government entities totalling Kshs.784,202,004 reported to have been made during the year under review has not been confirmed.

7.2 Acquisition of Assets

The statement of receipts and payments for the year ended 30 June, 2019 reflects acquisition of assets balance totalling Kshs.994,917,937 which includes expenditure on research studies and project preparation, design and supervision amounting to Kshs.23,972,461. However, examination of the payment records revealed that payments totalling Kshs.12,586,336 were not related to any of the expenditure items cited.

No explanation has been provided for charging the expenditures to items they were not related to. Consequently, the validity of payments totalling Kshs.23,972,461 reported in respect of research, studies, project preparation as well as design and project supervision during the year ended 30 June, 2019 has not been confirmed.

8. Payments made Outside of IFMIS

The statement of receipts and payments for the year ended 30 June, 2019 reflects other payments totalling Kshs.5,885,935 being remittances of salary deductions and payments for goods and services made outside of IFMIS. Management has not explained why the expenditures were incurred outside of IFMIS. As a result, the validity and accuracy of the payments has not been confirmed.

9. Unsupported Expenditure on Domestic Travelling and Subsistence

The statement of receipts and payments for the year ended 30 June, 2019 reflects use of goods and services payments totalling Kshs.426,089,378 which include domestic travel and subsistence allowances totalling Kshs.26,237,868 paid to staff members, as further disclosed in Note 12 to the financial statements. However, examination of payment vouchers indicated that expenses totalling Kshs.3,169,515 were not supported with approvals or explanations for the travels, or indication of the duties performed or reports prepared and issued thereof.

Consequently, the occurrence and validity of domestic travelling and subsistence allowances totalling Kshs.26,237,868 has not been confirmed.

10. Unsupported Fuel and Lubricants Payments

The statement of receipts and payments for the year ended 30 June, 2019 reflects use of goods and services expenditures totalling Kshs.426,089,378 which include fuel and

lubricant expenses totalling Kshs.17,200,379, as further disclosed in Note 12 to the financial statements. The fuel and lubricant expenses include payments totalling Kshs.10,366,100 made by the Department of Roads. However, the expenditure was not supported with documented fuel orders and a complete register detailing all fuel receipts and issues.

In the absence of supporting records, the occurrence and measurement of the fuel and lubricants expenditure totalling Kshs.10,366,100 has not been confirmed.

11. Staff Emoluments not captured in the IPPD System

The statement of receipts and payments for the year ended 30 June, 2019 reflects compensation of employees expenditure totalling Kshs.2,093,295,478, as disclosed under Note 11 to the financial statements. However, review of payroll records indicated that each of the County Executive's Departments, maintained two sets of payrolls, one, in the IPPD system and the other in manual form. The records further indicated that eight hundred and thirteen (813) staff were not incorporated in the IPPD system. Instead, their emoluments totalling Kshs.145,622,991 were processed manually in spreadsheets which were prone to error and manipulation.

Management has not provided a plausible explanation for the irregular processing of the emoluments. As a result, the accuracy and completeness of compensation of employees expenditures totalling Kshs.2,093,295,478 incurred in the year under review has not been confirmed.

12. Unconfirmed Fixed Asset Balances

The summary of fixed asset register shown in Annex 5 to the financial statements reflects fixed assets valued at Kshs.3,277,411,138 as at 30 June, 2019. However, the fixed assets register reflects a balance of Kshs.537,000,236. The difference amounting to Kshs.2,740,410,902 between the two sets of records has not been explained.

In addition, Annex 5(ii) to the financial statements reflects assets of defunct local authorities totalling Kshs.568,889,166. However, the process of confirming the existence and valuation of the assets has not been finalized by the entities assigned the responsibility. As a result, the accuracy and completeness of the balance has not been confirmed.

In view of these anomalies, the ownership, valuation and existence of the assets shown in the summary of fixed assets valued at Kshs.3,277,411,138 as well as those inherited from the defunct local authorities valued at Kshs.568,889,166 as at 30 June, 2019 have not been confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Executive of Elgeyo Marakwet Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe

that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters 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

1.0 Under-Absorption of Development Vote

During the year under review, the County Executive allocated Kshs.2,464,682,680 to finance various development projects. However, by the end of the year on 30 June, 2019, only Kshs.1,329,957,435, equivalent to 54% of the allocation had been spent on the projects. As a result, the County Executive failed to absorb Kshs.1,134,725,244.40 or 46% of the budget. Health; Agriculture; ICT, and Public Service and Youth Sectors had the highest underutilized development funds equivalent to 71%, 58% and 54% of their respective allocations.

In view of the under-absorption, planned projects were not completed and therefore the services they were expected to provide to the residents of Elgeyo Marakwet County were not realized.

2.0 Pending Bills

The Notes to the financial statements reflect under other important disclosures pending bills totalling Kshs.50,837,763 comprised of pending accounts payable amounting to Kshs.24,311,433 and pending staff payables amounting to Kshs.26,526,330.

Management has not provided a plausible explanation why the bills were not settled in due time.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Excessive Budget Allocation to County Assembly

During the financial year under review, the County Executive approved a budget amounting to Kshs.567,970,833 for the Elgeyo Marakwet County Assembly. The sum included Kshs.278,791,432 for personnel emoluments. The allocation to the County Assembly was , however, greater than Kshs.557,582,864 being the lower of 7% of the County Government total budget of Kshs.5,601,076,601 or 200% of the personnel emoluments budget for the County Assembly, as prescribed in Section 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, the County Executive exceeded the thresholds for allocations to the County Assembly set in Law.

No plausible explanation has been provided by Management for the irregularity.

2.0 Excessive Compensation to Employees

During the year under review, the County Executive of Elgeyo Marakwet budget amounted to Kshs.5,601,076,601. The sum included a personnel emoluments budget amounting to Kshs.2,357,439,684 equivalent to 42% of revenue collected. The allocation was above the 35% threshold for personnel emoluments set in Section 25(1b) of the Public Finance Management (County Governments) Regulations, 2015. The allocation was therefore excessive and contrary to the Law. As a result, resources expected to fund development projects and delivery of services to the residents of Elgeyo Marakwet were not put to proper use.

3.0 Excessive Deductions on Staff Salaries

Examination of payroll records further revealed that during the year under review, excessive non-statutory deductions were made on the salaries of several members of staff. As a result, they received negative salaries totalling (Kshs.2,264,590) instead of the legal minimum amounting to Kshs.2,172,506 equivalent to one-third of their salaries.

The anomaly resulted from Management allowing the staff to effect excessive loan repayments and other non-statutory deductions on their salaries. The deductions were in excess of the two-thirds threshold prescribed for all employees in Section 19(3) of the Employment Act, 2000, as well as in various Regulations that govern pay for Public Officers.

The County Executive therefore breached the Law and put the staff at the risk of pecuniary embarrassment.

4.0 Irregular Payments to Council of Governors

During the year under review, the County Executive made payments totalling Kshs.3,745,119 to the Council of Governors; Kshs.2,000,000 being membership fees and Kshs.1,745,119 being facility rental. The membership fees were to cater for expenses of

the Annual Devolution Conference held in Kirinyaga County during the year under review while rental payments were for office space let by the Council in Nairobi. In the previous financial year (2017/18), Management made similar payments totalling Kshs.1,145,652.

The payments were made contrary to Inter-Governmental Relations Act, 2012 which provides that expenses of the Council of Governors are to be met from the budget of the National Government.

No plausible explanation has been provided by Management for the irregularity.

5.0 Un-submitted Forensic Audit Report

Examination of expenditure records indicated that during the year under review, the County Executive paid allowances totalling Kshs.383,500 to a team of officers from The National Treasury to conduct a comprehensive forensic audit of the staff payroll. The audit was, reportedly, meant to examine expenditures incurred between 01 April, 2014 and 08 February, 2017. However, the audit report had, at the time of the audit in October, 2019, not been submitted to Management.

Management did not provide any plausible explanation for the nine-month delay in completion of the audit.

The County Executive may not have obtained any value on the expenditure amounting to Kshs.383,500 incurred on the audit since the audit report was not submitted.

6.0 Implementation of Projects

6.1 Incomplete, Stalled and Unused Projects

Available records indicate that during the year under review, payments totalling Kshs.97,633,265 were made in respect of 48 projects whose execution, however, had various anomalies. These included delayed completion, stalled works and land ownership disputes. Others were failure to put completed projects to use, unconfirmed deliveries of supplies and omitted as well as low quality workmanship; as outlined in the attached Appendix III.

In the circumstances, the objectives of the investments totalling Kshs.97,633,265 made in the projects have not been realized.

6.1 Full Payment Made for Incomplete Project

The construction of Chebara Agricultural Training College dining hall contract was awarded to the contractor at Kshs.8,504,910 in June, 2015. The project site was handed over to the contractor on 30 July, 2015 and handed back to the Management on 25 April, 2018 with all works certificates paid.

Thereafter, Management awarded the contractor a supplementary contract at a sum of Kshs.900,000. The works entailed fabrication of windows and doors. A certificate of

practical completion was issued on 21 November, 2018 and the full contract price paid thereafter. However, physical verification conducted on 24 September, 2019 indicated that the whole contract sum was paid but the works were not completed.

No plausible explanation has been provided by Management for the anomaly.

Consequently, no value was obtained by the College for the funds totalling Kshs.900,000 invested in 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 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 matter(s) described in the Basis for Qualified Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and 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

1.0 Staff With Expired Contracts Still in Payroll

Analyses of payrolls for the year under review revealed that one hundred and twenty (120) staff members were paid salaries and emoluments totalling Kshs.151,561,810 even though their employment contracts had expired. Management explained that the staff were, in fact, on permanent and pensionable terms of service having been absorbed from various Ministries whose functions were devolved. Their contractual terms were reportedly, first captured in their previous employers' payrolls and carried over when they joined the County Executive.

However, no records were availed to confirm Management's assertion. As a result, it was not possible to confirm that personnel data retained by the County Executive was correct. In addition, it was not possible to confirm that the compensation payments totalling Kshs.151,561,810 made to the staff were a proper charge to public funds.

2.0 Lack of Internal Budget and Risk Policy Framework

A review of the operations of the Directorate of Internal Audit indicated that the Directorate did not have a budget to fund its operations. In addition, five members of staff serving in the Directorate were not appointed in substantive capacity but worked as audit trainees. Further, although 29 staff positions were provided for in the Directorate's staff establishment, only eight (8) were filled as at 30 June, 2019 resulting in a shortfall of 21 staff.

Consequently, the operations of the Directorate were hampered by lack of funding and shortage of staff, among other constraints.

3.0 Lack of Information and Communication Technology Policy

As reported in the previous year, a review of the Information and Communication Technology (ICT) operations of the County Executive of Elgeyo Marakwet indicated that there was no documented policy to guide investment, use and security of entity assets and data as well as other information resources.

As a result, there was high risk of unauthorized access and loss of data and information. Further, the overall effectiveness of the ICT function of County Assembly was constrained.

4.0 Lack of Risk Management Strategy

Review of the internal control system of the County Executive revealed that it was lacking in the following ways:

- i. there was no documented evidence of the existence of a Public Finance Management Standing Committee provided for in Sections 18 and 19 of the Public Finance Management (County Governments) Regulations, 2015;
- ii. contrary to Section 158 of the Public Finance Management (County Governments) Regulations, 2015, the County Executive did not have an approved strategy to manage operational and other risks;
- iii. there were no internal audit reviews conducted and no Audit Committee to provide oversight on the integrity of the County Executive's financial information, its system of governance, risk and internal controls, as well as legal and ethical conduct of Management and employees; and
- iv. there was no independent review of the financial statements to confirm the integrity and transparency of the financial reporting process as required under Paragraph 3.2 of Kenya Gazette Notice No.2690, Vol. CXVIII – No. 40 dated 15 April, 2016.

In view of these omissions, internal control and governance in the County Executive of Elgeyo Marakwet is not effective. As a result, the operational and other risks that the County Executive may face are unlikely to be managed in an effective way.

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 sustain its 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 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 County Executive's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but

is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

uncertainty exists related to events or conditions that may cast significant doubt on the ability of the County Executive to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County Executive not to sustain its services.

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

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

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

15 December, 2020

Appendix I

Differences Between Financial Statement and IFMIS Records

Item	Financial Statements (Kshs.)	IFMIS (Kshs.)	Unreconciled (Kshs.)
Bank Balances	713,490,935.00	2,736,248,639.15	(2,022,757,704.15)
Cash Balances		14,263,104,599.95	(14,263,104,599.95)
Account Receivables- Outstanding Imprests	16,635,604.00	134,855,173.20	(118,219,569.20)
Account Payables – Deposits and Retentions	99,075,800.00	39,301,456.60	59,774,343.40
Other Liabilities		(56,239,097.55)	56,239,097.55
Withholding Taxes		27,662,055.45	(27,662,055.45)
System Required Liabilities Accounts		10,226,043,556.75	(10,226,043,556.75)
Fund Balance (Brought Forward)	808,231,238.00	1,633,984,995.50	(825,753,757.50)

Appendix II

Inaccurate Cash and Cash Equivalents

Account Number	Bank	Description	IFMIS Reconciliation Statements Kshs.	Financial Statements Kshs.	Difference Kshs.
1140751360	KCB	County Revenue Collection	0	1,797,723	(1,797,723)
1140794779	KCB	Standing Imprest	0	123,595	(123,595)
10004847	Central Bank of Kenya	CBK, ASDSP	0	7,066,361	(7,066,361)
1000171391	Central Bank of Kenya	Development Account	(1,017,076,831)	2,306,028	(1,019,382,859)
1000171391	Central Bank of Kenya		(1,345,166,590)		(1,345,166,590)
1000171421	Central Bank of Kenya	Recurrent Account Number	(1,812,646,856)	14,422,887	(1,827,069,743)
1000171723	Central Bank of Kenya	County Revenue Fund	0	454,556,094	(454,556,094)
1000240571	Central Bank of Kenya		181,786,324		181,786,324
1000253948	Central Bank of Kenya		(287,213,217)	65,641,367	(352,854,584)
1000287748	Central Bank of Kenya	Maternal Health	49,348,768	6,751,373	42,597,395
1000364831	Central Bank of Kenya	CBK, KCSAP	0	16,060,684	(16,060,684)
1000367946	Central Bank of Kenya	Dev of Youth Polytechnic	(71,135,305)	272,245	(71,407,550)
1000372238	Central Bank of Kenya	EMC Urb. (KUSP)	0	44,540,347	(44,540,347)
		Pay bill Account - MPESA	0	876,431	(876,431)
		Retention Deposit account	0	99,075,808	(99,075,808)
			(4,302,103,707)	713,490,943	(5,015,594,650)

Appendix III

Incomplete, Stalled and Unused Projects and Other Project Flaws

	Project Name/Description	Amount (Kshs.)	Status
1.	Hire of excavator at Kshs.3,553,000.00 for opening Salaba Tabut Road in Emsoo Ward. Hire of dozer at Kshs.1,654,900.00 for opening Salaba-Kobulwo Road. Survey work Kshs.1,000,000	6,207,900.00	Incomplete
2.	Supply and delivery of medical equipment to Kilos Dispensary	1,035,580.00	Incomplete
3.	Construction of Chepuser water furrow entailing intake works and canal lining	3,785,025.40	Incomplete
4.	Perimeter fencing at Towelo Food Security Farm in Endo ward.	2,499,568.00	Incomplete
5.	Construction of Dormitory Block at Chesongoch VTC	1,745,500.00	Incomplete
6.	Construction of twin Early Childhood Development Centre at Chechan	781,524.95	Incomplete
7.	Grading and Levelling of Kamogo Field	1,040,200.00	Incomplete
8.	Ablution block, perimeter wall, curio shops, recreation facilities and amphitheatre dais in Iten township	11,688,822.55	Incomplete
9.	Desilting Kondabilet, Harambee Dam	9,106,378.55	Incomplete
10.	Opening and maintenance of Kapkoi - Koibarak Road	3,921,250.00	Incomplete
11.	Torok Box Culvert	1,237,744.05	Incomplete
12.	Proposed Construction of Theatre at Kaptarakwa	3,183,093.10	Incomplete
13.	Proposed Extension to Katalel Dispensary	409,137.93	Incomplete
14.	Paediatric Wing at Chepkorio	1,716,390.90	Incomplete
15.	Ward Office at Kamwosor	613,706.90	Incomplete
16.	Construction of Ward Offices at Nyaru	1,500,000.00	Incomplete
17.	Chesoi Sub-County Office	1,805,300.00	Land has no title deed
18.	Upgrading of roads within Iten Municipality	4,909,655.15	Land -Dispute
19.	Completion of Tambach Ward Office	1,231,280.00	Sub-standard Quality of works
20.	Construction of twin ECD Classroom at Sambalat	680,250.00	Sub-standard Quality of works
21.	Construction of twin ECD Classroom at Boroko Primary School	2,199,610.00	Sub-standard Quality of works
22.	Opening of Ilai-Kipsicha-Musown road(4.6kms)	-	Sub-standard Quality of works
23.	Maintenance of Mogil-Chesewew Road in Sambirir Ward	3,896,000.00	Sub-standard Quality of works
24.	Proposed emergency delivery Ward at Nyaru	1,107,900.00	Sub-standard Quality of works
25.	Completion of Biretwo Museum	790,370.00	Complete but not put to use
26.	Completion of Eye Clinic at Biretwo	632,380.00	Complete but not put to use
27.	Proposed completion of MCH, OPD, laboratory and wards at Biretwo hospital	2,600,000.00	Complete but not put to use
	Project Name/Description	Amount (Kshs.)	Status
28.	Proposed construction of maternity block at Kabulwo dispensary	2,112,030.00	Complete but not put to use

29.	Construction of ward office at Tot centre in Endo ward	2,505,650.00	Complete but not put to use
30.	Carry out perimeter fencing of the farm for a length of 3,200M in Kirende food security farm in Endo Ward.	3,799,696.00	Complete but not put to use
31.	Construction of six bed ward at Kamogo Health Centre (Embobut/Embolot Ward)	1,611,920.00	Complete but not put to use
32.	Construction of maternity block at Chesoi Health Centre	1,006,390.00	Complete but not put to use
33.	Construction of twin ECD at Kapkoros Primary School	735,250.00	Complete but not put to use
34.	Construction of motor bike shades at Kaptagat, Matungen and Kapkenda	367,978.65	Complete but not put to use
35.	Proposed construction of kitchen at Sergoit	558,923.35	Complete but not put to use
36.	Construction of Chesoi Sub-County Office	2,338,650	Stalled, Land has no title deed
37.	Construction of Sub-County Office at Chepkorio, Keiyo South	9,380,420	Stalled
38.	Supply and Delivery of Certified Potato Seeds to Metkei, Moiben/ Kuserwo and Sambirir Wards	2,891,790.00	Unconfirmed delivery of seeds
	Total	97,633,265.48	