

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF GARISSA FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Assembly of Garissa set out on pages 1 to 32, which comprise the statement of financial assets as at 30 June, 2017 and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of County Assembly of Garissa as at 30 June 2017, 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.

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, based on the procedures performed, I confirm that public money has been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Accuracy and Completeness of the Financial Statements

The statement of receipts and payments shows total receipts of Kshs.669,500,000 while the statement of comparison of budget versus actual amount indicates total receipts of Kshs.649,500,000 resulting into an unexplained difference of Kshs.20,000,000. Further, notes 5 to 19 to the financial statements are wrongly referenced in the face of the financial statements. In addition, notes 2,3,5,6,10 to15, 17 and 18.3 have no informational value as they are empty.

Similarly, Note 7 to the financial statements on other grants and transfers of Kshs.1,299,344 has no details of payees of these funds. Again, progress on follow up of previous years' audit recommendations indicates all issues were resolved, however, no evidence was provided for audit review.

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June 2017 cannot be ascertained.

2. Fixed Assets Register

The summary of fixed assets disclosed in the financial statements at Annex 4 reflects a balance of Kshs.113,642,788 as at 30 June, 2017. This relates to fixed assets such as buildings and structures, office equipment, furniture and fittings, ICT equipment, software and other ICT assets, other machinery and equipment. Although, summary fixed asset register was maintained, the balances and nature of the fixed assets were not properly recorded to reflect the amount disclosed in the financial statements for the year ended 30 June 2017 as required by section 136 of the Public Finance Management Regulations, 2015. Further, the assets were not valued and no valuation report was presented.

The land and some of the buildings inherited from the defunct local Authority by the County Assembly of Garissa have not been transferred to the County Assembly.

In the circumstances, the validity, completeness and accuracy of the fixed assets balance disclosed in the financial statements cannot therefore be ascertained as at 30 June 2017.

3. Pending Bills(Accounts Payables)

Notes 18.1 and 18.2 to the financial statements reflects pending bills/Accounts payables of Kshs.21,574,754 as at 30 June 2017 consisting of creditors and staff payables of Kshs.17,274,796 and Kshs.3,799,958 respectively. However, no supporting documents such as contracts, local purchase/service orders, work completion certificates, invoices, delivery notes were provided for audit review.

As a result, the validity, accuracy and completeness of the pending bills/accounts payables cannot be confirmed.

4. Unsupported Expenditure on Hospitality, Supplies and Services

During the year under review, County Assembly of Garissa incurred an amount of Kshs.14,280,050 on hospitality, supplies and services. The expenditure was used to finance board expenses, committee allowances, conferences and seminars expenses. Scrutiny of payment vouchers and other supporting documents however revealed that Kshs.2,231,800 spent on allowances for board members, interview panel and per diem for members of staff attending seminars and workshops had the following anomalies:-

- i. Payments made in respect to Board members' sitting allowances are not supported with County Assembly Service Board minutes and their recommendations.
- ii. Allowances paid to Board members for conducting shortlisting of applicants is not supported with the names of applicants, the list of shortlisted applicants and their respective positions. Further, the payment schedule used for expenditure was not dated and did not specify the period of the exercise.
- iii. Expenditures purported to have been incurred as sitting and subsistence allowances were not supported with travel documents such as bus tickets or work

tickets and payment schedule were not signed by the officers to acknowledge receipt of the allowance. Further, some of the payment schedules had no names and details of staff paid and the reason for their payment.

Under the circumstances, the propriety of the expenditure of Kshs.2,231,800 could not be ascertained.

5. Unsupported Training Expense

The County Assembly of Garissa during the financial year 2016/2017 used an amount of Kshs.12,243,965 on training of staff. However, a review of the same expenditure revealed that an amount of Kshs.2,333,000 was not supported, there were no dully signed list of participants, mode of transport used to attend training in Nairobi was not also indicated and invitation letter or program of work for the training was not also specified. Further, some payment vouchers were not signed and dated by accounting officers as required by the PFM Act, 2012.

In view of the foregoing, the authenticity of the expenditure of Kshs.2,333,000 could not be ascertained.

6. Unsupported Mileage Allowance

During the year under review, the County Assembly of Garissa paid Kshs.15,765,502 as mileage allowances to the members of County Assembly. However, he expenditure had no budgetary allocations and was paid without the approval of the County Assembly. There were no vital supporting documentations such as work tickets to show the area covered and amount of fuel used, log books of motor vehicles used. Some of the transport claim forms did not indicate the distance covered hence it was not clear how mileage allowance/claims were determined.

In view of the anomalies the propriety of the expenditure of Kshs.15,765,502 could not be ascertained as at 30 June 2017.

7. Irregular and Unaccounted for Office Furniture and General Equipment

The financial statements for the year ended 30 June, 2017 revealed that the County Assembly of Garissa spent an amount of Kshs.21,985,384 on office general equipment. However, an amount of Kshs.9,450,867 used for purchase of furniture was not supported. The furniture was not taken on charge in stores ledger as required by section 162 of the Public Procurement and Assets Disposal Act, 2015. It was not possible to confirm the point of use of the furniture as there were no counter requisition and issue vouchers (SII) raised at the point of use making it difficult to physically verify the furniture.

Consequently, the amount of Kshs.9,450,867 purported to have been used has not been accounted for.

8. Doubtful Subsistence Allowances

The County Assembly of Garissa incurred an amount of Kshs.9,830,800 on payment of subsistence allowances to Members of the County Assembly (MCAs) and staff. The allowances were paid to MCAs and other staff who were attending workshops and other official duties in Nairobi and other areas. However, the expenditure was not supported. The mode of transport used was not indicated and there were no invitation letters and training programs to support the expenditure. It was difficult to confirm the nature and period of the trainings.

Under the circumstances, the propriety of the expenditure of Kshs.9,830,800 could not be ascertained.

9. Irregular Payment for Consultancy Services

During the period under review, the County Assembly of Garissa incurred an expenditure of Kshs.10,265,000 on payment of consultancy services as reflected in the table below:-

CBV NO	Date	Payee	Amount(Kshs)
314	13/1/2017	ILTASO Consultancy	1,465,000.00
223	12/08/2016	Precision esearch	3,000,000.00
405	3/2/2017	Dabar Investments	1,700,000.00
	05/04/2017	Bilham Consultants	4,100,000

A review of the expenditure and the records for the same expenses revealed that there were no request for proposals/quotations, evaluation reports and award letter. Further, there was no requisition from user departments. The expenditure was not supported with LSOs and contract agreements.

Some of the Consultancy services offered by the firms engaged was in respect of training of County Assembly staff. However, there were no training program and duly signed attendance register of the participants.

In consequence, the propriety and value for money of the expenditure of Kshs.10,265,000 could not be ascertained as at 30 June 2017.

10. Unaccounted For Goods

A review of the expenditure on goods procured during the year under review revealed that an amount of Kshs.3,800,000 was not supported with relevant documentations. The goods procured were not received vide counter receipt vouchers (S13). There were no stores ledger made available for audit review to confirm whether the goods were recorded and issued out. Counter requisition and issued vouchers were not used in issuing out the stores.

Under the circumstance, it was not possible to ascertain the propriety of the expenditure of Kshs.3,800.000 as at 30 June 2017.

11. Payments for Security Allowances

During the financial year 2016/2017, the County Assembly of Garissa paid Kshs.3,437,900 to body guards and security personnel guarding the County Assembly offices. However, it was observed that the payment was not supported with documentation such as duly signed attendance register or muster roll to confirm that the officers worked for the number of days paid for.

Consequently, it has not been possible to ascertain whether the County paid for services rendered.

12. Payment for Legal Services

During the year ended 30 June, 2017, the County Assembly of Garissa paid Kshs.3,275,862 to Musyoki, Mogaka and Co. Advocates for legal services rendered to the County Assembly. However, the nature of the legal services rendered was not specified. A review of the expenditure and examination of the records revealed request for quotations as well as evaluation report and award letter was not used for the payment. Further, there were no local service order issued or contract agreement for the services purported to have been rendered.

Consequently, the propriety of the amount of Kshs.3,275,862 for legal services could not be ascertained as at 30 June 2017.

13. Payment of Rental Premises

During the year under review, the County Assembly of Garissa spent an amount of Kshs.3,365,000 on payment of rental services. The payments were made to various landlords for provision of rental premises to the Speaker of County Assembly and Ward Representatives for the period ended 30 June 2017. However, proper procedures were not followed in acquiring this premises. There were no contract documents signed by the County Assembly and the owners of the premises purported to have been hired. Request for quotation was not used and therefore how the clients were identified could not be confirmed. The evaluation and award committee had not evaluated the same as no minutes were seen to support the payments. Department of housing was not also involved as there was no report confirming if it was economical to rent.

As a result, the legality and propriety of the expenditure of Kshs.3,365,000 cannot be confirmed.

14. Hire of Transport Services

The County Assembly of Garissa used an amount of Kshs.1,000,000 on payment of hire of transport. Examination of payment vouchers and other supporting documents relating to hire of transport revealed that the payments were made without vital documentations such as LSOs, vehicles log book and temporary work tickets showing the movement of the hired vehicles and to determine whether the vehicles were used for official purpose. Further, quotation opening, evaluation and award committee minutes were not attached to the payment vouchers or availed for audit review.

In view of the foregoing, it has not been possible to ascertain the propriety of the expenditure of Kshs.1,000,000 as at 30 June 2017.

Other Matter

1.0 Information Technology (IT) Environment

An assessment of the IT Environment of Garissa County Assembly revealed that the Assembly has put in place structures to govern and manage its information systems. It was however observed that the entity has not yet developed or implemented key ICT documents like Disaster Recovery Plans (DRP) and ICT Policy.

No proper explanation was given for not developing the policies for ICT Department.

2.0 Budgetary Control and Performance

Scrutiny of the financial statements indicated that the County Assembly had a budgetary allocation of Kshs.679,500,000 and not 729,500,000 as earlier reported. The Assembly had actual receipt of Kshs.669,500,000 resulting in underfunding of Kshs.10,000,000.

During the year under review, the County Assembly of Garissa had a budget of Kshs679,500,000. However, the Assembly received an amount of Kshs.669,500,000 or 98.5% of its allocation as at 30 June, 2017 resulting to underfunding of Kshs.10,000,000. The underfunding was explained to have been occasioned by non-disbursement of all the budgetary allocation as at 30 June, 2017

The County Assembly analysis of budget against actual expenditure for the year under review is given as follows: -

Under/Over Expenditure

Item	Budgeted (Kshs)	Actual (Kshs)	Under (Kshs.)
Compensation to Employees	380,720,993.00	376,611,657.00	4,109,336.00
Use of goods and services	220,547,634.00	212,331,422.00	8,216,212.00
Other grants and transfers	1,299,344.00	1,299,344.00	-

Social Security Benefit	14,535,377.00	14,535,377.00	-
Acquisition of Assets	62,396,652.00	55,026,832.00	7,369,820.00
TOTAL	679,500,000.00	659,804,632.00	19,695,368.00

The Assembly spent an amount of Kshs.659,804,632 or 97% of the total budgeted allocation for the period under review. This means, the Assembly management under spent by Kshs.19,695,368 (representing 3%). On use of goods and services and acquisition of assets.

No explanation was given for not using all the funds allocated.

3.0 Lack of Audit Committee

The County Assembly of Garissa did not establish an internal audit committee contravening Section 155(5) of the Public Finance Management Act, 2012 and Section 167(1) of the Public Finance Management (County Governments) Regulations, 2015 and National Treasury Gazette Notice Vol. CXVIII No.40 of 15 April, 2016.

Audit committee will assist in the formulation of internal audit planning and policy, review internal and external audit reports as a mechanism of enhancing governance. Absence of an Audit Committee may lead to management override of controls in such instances, cases of fraud and errors may not be detected and corrected in a timely manner.

No explanation was provided for failure to constitute the Audit Committee

4.0 Outstanding Prior Year Audit Issues

The County Assembly of Garissa has not addressed 2015/2016 audit issues as the progress on follow up of audit recommendations indicates issues have been resolved without providing any evidence.

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 and Other Matter sections of my report, I have determined that there are no Key Audit Matters to communicate in my report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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 such 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.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the Assembly or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the County Assembly's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 of Kenya. 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 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.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgment 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the County Assembly's 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 going concern 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 Assembly's ability to continue sustaining 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 Assembly 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 consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

16 July 2018