

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of County Assembly of Kajiado set out on pages 8 to 38, which comprise the statement of financial assets and liabilities 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 – recurrent, development and 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the County Assembly of Kajiado 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 do not comply with the Public Finance Management Act, 2012.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that public money has not been applied lawfully and in an effective way.

Basis for Adverse Opinion

1. Compensation of Employees

The statement of receipts and payments reflects an amount of Kshs. 248,590,553.75 in respect of compensation of employees. Payroll details obtained from IPPD system maintained by the County Assembly showed that payments emanating from the payroll and gratuity amounted to Kshs. 246,188,337 thereby resulting in an un-explained difference of Kshs. 2,402,217.75. Further, during the year under review, the County Assembly effected deductions amounting to Kshs. 2,645,430 under compensation of employees on account of recoveries of car loan and mortgage loans issued to the Members of County Assembly and Staff but failed to remit the amount to Kajiado County Assembly Car Loan and Mortgage Fund. No satisfactory explanation has been provided for failure to remit the amount to the Fund in time.

2. Use of Goods and Services

2.1. Unposted Expenditure

The statement of receipts and payments reflects expenditure totalling Kshs.285,132,889.55 on use of goods and services and as disclosed at Note 5 to the financial statements. However, the expenditure analysis at Note 5 includes an amount of Kshs.11,706,114 referred to as outstanding imprests which had not been posted to the specific expenditure item. Consequently, the accuracy of the expenditure on use of goods and services amounting to Kshs.285,132,889.55 cannot be confirmed.

2.2. Foreign Travel and Subsistence

The expenditure of Kshs.285,132,889.55 on use of goods and services includes an amount of Kshs.18,450,093.40 relating to foreign travel and subsistence. The expenditure on foreign travel and subsistence further includes an amount of Kshs.4,109,580 which was paid as per diem to twenty one Kajiado County Assembly officials including twelve Members of County Assembly and the Clerk who travelled to Arusha Tanzania between 3 and 7 April 2017 to attend ESAMI training on the whole government approach for performance improvement in the public sector without appropriate authority as shown below:

No.	Officer's name	Designation	Days	Amount paid (Ksh)
1	Hon. Henry Kimiti	Chair budget committee	6	203,184
2	Hon. George Sunkuyia	Deputy speaker	6	203,184
3	Hon. Lengete Kamete	Majority Leader	6	203,184
4	Hon Justus Ngossor	Minority Leader	6	203,184
5	Hon. Onesmus Ngogoyo	Chief Whip	6	203,184
6	Hon. James Kuya Nina	Minority Whip	6	203,184
7	Hon. David Nkirimpai	Deputy Minority leader	6	203,184
8	Hon. Nteri Kipaika	Deputy Minority	6	203,184
9	Hon. Joseph Mutunkei	Chairperson lands committee	6	203,184
10	Hon, Nkitinyo Lesere	V/chairperson Finance committee	6	203,184
11	Hon. Charity Mosiany	Chairperson powers and privileges committee	6	203,184
12	Hon. Peter Tirishe	Member, legal committee	6	203,184

13	Daniel Konyango	Clerk	6	203,184
14	Kilakoi Sialala	Director Finance	6	203,184
15	Kangeri Osiati	Accountant	6	172,584
16	Emily Samante	PA to Speaker	6	172,584
17	Wilson Mancha	PA to Majority leader	6	172,584
18	John Kasonko	Driver	6	172,584
19	Tenke Lepeson	Driver	6	154,836
20	Peter Ngetete	Driver	6	154,836
21	Simon Kishoyian	Security	6	154,836
	Total per diems paid			3,999,420
	Cost of fuel and insurance of vehicles in Tanzania			110,160
	Total amount spent			4,109,580

In addition, the imprest for the total amount of Kshs.4,109,580 was apparently issued Kangeri Osiati on 9 March 2017 instead of the respective officials. The imprest surrender voucher used by the payee to account for the amount was also not numbered or dated.

Mr. Tenke Lepeson, the driver of vehicle Registration No. 34CG008A Ford Everest was paid Kshs.154,836 being six days per diem in Arusha while the work ticket No. 735043 shows that this person went to Arusha on 2 April 2017 and came back to Kenya on 4 April 2017 with the Journeys authorized by the Hon. Speaker. Under the circumstances, it is not possible to confirm the propriety of payments totalling Kshs.4,109,580 and whether the expenditure is a proper charge to public funds.

3. Acquisition of Assets

3.1 Payment for Consultancy Services

The statement of receipts and payments reflects an expenditure of Kshs.74,429,575.55 on acquisition of assets and as disclosed in Note 10 to the financial statements which, includes Kshs.46,677,645.25 paid to Abby Architects (K) Limited for consultancy services offered as per fee note No.1 of 5 September 2016. Documents available indicate that the consultant submitted fee note No.1 on 5 September 2016 demanding 60% of the consultancy contract sum for the proposed construction of Kajiado County Assembly Chambers and Offices even before submitting the bills of quantities and the project cost estimates contrary to the contract agreement. The consultant in fact delivered both the project cost estimates (priced) and one copy of unpriced bills of quantities to be photocopied and filled by contractors on 4 October 2016 as per his submission letter.

Further, the consultant raised fee note No. 2 of Kshs.23,395,518.98 on 10 April 2017 for payment while the construction contractor's interim certificate No. 1 for Kshs.17,469,560 was raised on 13 June 2017. According to detailed analyses for contractor's interim certificate No.1 there is no evidence that the construction had reached Ground Floor slab for the consultant to demand the second payment as required under the contract agreement between the County Assembly and the consultant.

4. Cash and Cash Equivalents

The statement of financial assets and liabilities reflects bank balances totalling Kshs.9,214,743 as at 30 June, 2017 made up of the following:

Name of Bank, Account No.	Description	Financial statement figure- Kshs
Central Bank of Kenya, 1000199016	recurrent bank a/c	7,756,877.50
Central Bank of Kenya, 1000199024	development bank a/c	1,453,052.45
Central Bank of Kenya, 1000199016	deposit bank a/c	-
Kenya Commercial Bank, 1153874380	Imprest account	4,813 .00
Cash at hand		-
TOTAL CASH AND BANK		9,214,743.00

However, certificates of the bank balances and relevant bank reconciliation records including cash book and bank reconciliation for CBK recurrent bank account No. 1000199016 have not provided for audit verification. As result, the completeness and accuracy of the balance of Kshs.9,214,743 can not be confirmed.

The following unsatisfactory matters have also been observed:

4.1. Undisclosed Ward Bank Accounts

Information available indicate that the County Assembly operated 25 ward bank accounts which were not disclosed in the financial statements. No documentary evidence has been provided to confirm that the Assembly sought prior approval from the County Treasury before opening the ward bank accounts. Further, the accounting officer did not provide a comprehensive list of bank accounts with details required under Regulation 87 of the Public Finance Management (County Government) Regulations 2015.

4.2. Failure to Regularly Submit Bank Reconciliation Statements

The accounting officer did not submit regularly monthly bank reconciliation statements to the County Treasury with a copy to the Auditor-General as required under Regulation 90 of the Public Finance Management (County Government) Regulations 2015. No satisfactory explanation has been provided for this omission.

4.3. KCB Payments

Further, an analysis of payments through KCB imprest account revealed the following:

- (i) Payments out of this account were not captured in IFMIS yet the County Assembly relied on the IFMIS system to prepare the financial statements. Therefore, the financial statements figures may have been misstated as they did not factor the payments made through KCB imprest account.
- (ii) Payments amounting to Kshs. 24,600,688 made out of KCB imprest account were not authorized or pre-numbered as per payment vouchers provided for audit review. This was done contrary to regulation 104(1) of the Public Finance Management (County Government) Regulations, 2015. Consequently, the authenticity of the payments and whether the expenditure incurred was a proper charge to public funds cannot be confirmed.

5. Accounts Receivable-Imprests

5.1. The statement of financial assets and liabilities reflects nil imprests balance as at 30 June 2017. However, Note 5 to the financial statements on use of goods and services reflects outstanding imprest of Kshs.11,706,114. Further, information extracted from IFMIS and annex 5 to the financial statements, revealed instances where some Members of the Assembly and other officers were paid multiple per diem allowances before surrender or recovery of previous imprests as shown below:

PAYEE	DATE ISSUED	Amount-Kshs.
Richard Sayianka Joshua	9 Dec 2016	950,400
Richard Sayianka Joshua	21 Feb 2017	934,500
Phillip Martine Muteleu	5 Oct 2016	413,500
Phillip Martine Muteleu	9 Dec 2016	787,500
Phillip Martine Muteleu	9 Feb 2017	100,000
Daniel Konyango	16 June 2017	509,184
Daniel Konyango	12 June 2017	869,856
Grace Kanchori	15 June 2017	1,375,458
Grace Kanchori	30 Jan 2017	165,900

5.2. In addition, the following unsatisfactory observations have been made in respect of cash imprest management:

- (i) The imprest warrants used did not have any unique serial number for tracking of the imprest as required under regulation 117 (2) and (3) of the Public Finance Management (County Government) Regulations 2015. The accounting officer did not have a mechanism to control and track imprest issued since the warrants did not have serial numbers or any features to facilitate proper accountability.

- (ii) Payments made from KCB imprest account amounting to Kshs.33,260,249. were mainly through cash imprest issued to various officers. These payments were outside the IFMIS system and the Assembly did not maintain an imprest register to record and keep track of the imprest issued outside the IFMIS system.
- (iii) Richard Saiyanka was issued with an imprest of Kshs. 793,800 to pay per diem for two days to Members of the Assembly to attend a funeral in Narok County. No documentary evidence has been provided for audit review to confirm that this was an official function to warrant use of public funds.
- (iv) Mr. Daniel Owino Konyango was issued with an imprest of Kshs.869,856 for 13 days per diem to attend training in Dubai between 19 and 30 June 2017. The officer was issued with another cash imprest of Kshs.1,599,184 on 25 June 2017 through KCB Cheque No. 3860 and 3861 to attend training on strategic public service administration in Singapore from 26 June 2017 to 30 June 2017. Note that the two events were running at the same time. These imprests remained unaccounted for as at the time of audit. Further, available records indicate that the officer travelled to Singapore on 24 July 2017 and returned on 29 July 2017. This was later after the scheduled training. It is not clear whether this was an official trip as the initial training was from 26 June to 30 June 2017.
- (v) Johnson Osoi was issued with an imprest of Kshs.509,184 through KCB Cheque No. 3853 to attend training on strategic public service administration in Singapore from 26 June 2017 to 30 June 2017. He was granted authority to travel to Singapore from 26 to 30 June 2017 via letter dated 14 June 2017 issued by the Principal Secretary, State Department of Devolution. However, available records indicate that he travelled on 24 July 2017 and returned on 29 July 2017. This was later after the scheduled training. It is not clear whether this was an official trip as the initial training was from 26 June to 30 June 2017.
- (vi) Mr. Kangeri Simel was issued with cash imprest of Kshs.4,193,000 to pay allowances to the Members of the Assembly and other staff attending training in Nairobi from 19 to 23 June 2017. Available attendance register shows that Hon. Johnson Osoi attended the training for the five days and was paid Kshs.84,000 per diem allowance. However, the work tickets available indicate that during the same period, officer was using an official vehicle at different locations as indicated in the work tickets. It is not clear how he managed to be in a training in Nairobi and at the same time at Kitengela, Kajiado, Sultan Hamud and Athi River.

- (vii) The following members of the County Assembly were issued with cash imprest to attend training on strategic public service administration in Singapore from 26 June 2017 to 30 June 2017. However, no documentary evidence has been provided for audit verification to confirm that the trip was official or authorized by the Ministry of Devolution and Planning and whether they actually travelled.

DATE	CHQ NO.	NAME	AMOUNT -KSHS.
25/6/2017	3852	Hon. Lengete Ole Kemete	402,696
25/6/2017	3855	Hon. George Risa Sunkuyia	402,696
25/6/2017	3862	Hon. Jane Njeri Manyimbe	402,696
25/6/2017	3863	Hon. Justus Kiles Ngossor	402,696
			1,610,784

In the circumstances, the authenticity of the payments and expenditure incurred through the imprests cannot be confirmed.

6. Pending Accounts Payables

Note 18.1 to the financial statements indicates that the County Assembly had pending bills amounting to Kshs.29,954,187.55 as at the end of the financial year. Failure to settle the bills in the year to which they relate adversely affects the following year's provision to which they have to be charged. Had the pending bills been paid and the expenditure charged to the accounts for financial year 2016/2017, the statement of receipts and payments would have reflected a deficit of Kshs. 20,744,257.55 instead of the net surplus of Kshs.9,209,930 now shown.

Further, the pending bills includes an amount of Kshs.1,758,320 payable to KCB Leadership Centre which was committed after 31 May contrary to regulation 50 (1) of the Public Finance Management Regulations (County Government), 2015. In addition, pending staff payables balance of Kshs.4,977,680 include an amount of Kshs.3,636,100 in respect of Member of the Assembly sitting allowances. However, the schedule provided for audit reflected an amount of Kshs.3,687,580 resulting in un-explained difference of Kshs.51,480.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Assembly of Kajiado in accordance with ISSAI 30 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 adverse 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 Adverse Opinion and Other Matter sections, I have determined that there are no Key Audit Matters to communicate in my report.

Other Matter

1. Budget Performance and Disclosures

1.1. The statement of comparison of budget and actual amounts - recurrent and development combined reflects a final budget of Kshs. 701,395,477 for receipts and payments. The statement also reflects actual receipts and payments totalling to Kshs.619,837,538.90 and Kshs. 610,622,795.85 respectively resulting in a surplus of Kshs.9,214,743.05. The projected receipts were under realized by 11.6% while under expenditure of 12.5% and 40.7% occurred in respect of use of goods and services and acquisition of goods and services respectively. However, and contrary to the provisions of section 164(2) (iv) of the Public Finance Management Act, 2012 and paragraph 1.9.8 of IPSAS Cash Basis of Accounting Financial Reporting Framework, no disclosures have been made in the notes to the financial statements in respect of the reasons for material variances between the approved budget and actual amounts.

1.2. A review of actual expenditure against the approved budget revealed that expenditure on the following items exceeded the approved estimates in the financial year ended 30 June 2017:

Expenditure Items	Current year budget figures (a)	Actual expenditure figures (b)	Variance c=(b-a)	percentage variance =c/a
	Kshs.	Kshs.	Kshs.	
Basic Salaries - Permanent Employees	53,262,339.63	130,269,676.85	77,007,337.23	145%
Specialised Materials and Supplies	750,000.00	982,413.80	232,413.80	31%
Purchase of Office Furniture and General Equipment	2,500,000.00	4,028,935.65	1,528,935.65	61%
Purchase of Specialised Plant, Equipment and Machinery	6,000,000.00	7,715,282.75	1,715,282.75	29%
Routine Maintenance of vehicles	1,000,000.00	5,340,110.94	4,340,110.94	434%
Total			84,824,080	

In the circumstances, the budgetary provisions were not adhered to and public resources were not efficiently used.

1.3. The vote book reflects an expenditure of Kshs.131,476,491 on domestic travel and subsistence while the financial statements under Note 5 reflects a figure of

Kshs.148,847,289.65 leading to unexplained variance of Kshs.17,370,798.65. Further, the management did not provide expenditure schedule to support the financial statements figure. The financial statements figure of Kshs.148,847,289.65 also include an amount of Kshs.35,700,000 transferred to KCB imprest account for domestic travel and subsistence expenditure. However, payments amounting to Kshs.7,211,538 were made from the KCB imprest account towards foreign travel. Therefore, domestic travel and subsistence balance in the financial statements may have been overstated.

The approved budget for domestic travel and subsistence was Kshs.163,099,500. However, the vote book shows an addition of Kshs.9,379,260 in the budget through reallocations leading to a total budget of Kshs.172,478,760. The management did not, however, provide a record for all budgetary reallocations and no evidence has been provided to confirm that these reallocations were submitted to the County Treasury for the purpose of seeking Assembly approval as required under regulations 47 and 48 of the Public Finance Management (County Government) Regulations, 2015. Further, the vote book shows a total budget of Kshs.172,478,760 against total expenditure and commitments of Kshs.173,401,326. This indicates that there was unauthorized expenditure amounting to Kshs.922,566.

2. Internal Audit and Audit Committee

Although the County Assembly had established an Internal Audit Department and an Internal Audit Committee, only one employee was deployed to the department. Further, a review of the function revealed that, there was no budgetary provisions in respect of operations of the Internal Audit function and the department is not adequately staffed. This exposes the institution to risk of errors going unchecked and potential mis-use of resources. Further, the operations and independence of the Internal Audit Committee may be curtailed in the absence of an adequate budgetary provision and support.

Responsibility 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 County Assembly's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends 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 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion 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 County Assembly's ability to sustain 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 Assembly to cease sustaining 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 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