

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF KAKAMEGA FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Assembly of Kakamega set out on pages 1 to 24, which comprise the statement of financial assets and liabilities as at 30 June 2018, and the statements of receipts and payments, statement of cash flows and statements 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, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of County Assembly of Kakamega as at 30 June 2018, 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 County Government Act, 2012 and the Public Finance Management Act, 2012

Basis for Qualified Opinion

1. Use of Goods and Services

1.1. Unexplained Variances

Included in the use of goods and services figure of Kshs.389,924,415 are expenditures on hospitality supplies, fuel and lubricants, routine maintenance-vehicles and other assets and communication supplies totaling Kshs.49,566,267 which varies with the ledger total figure of Kshs.48,697,267 as indicated below:

Sub-Votehead	Financial statement amount Kshs.	Ledger amount Kshs.	Variance Kshs.
Hospitality supplies	32,232,539	32,083,767	158,772
Fuel and Lubricants	7,836,309	3,878,409	3,957,900
Routine Maintenance-Vehicles	2,434,643	2,973,643	(539,000)
Routine Maintenance-Assets	5,816,429	8,577,494	(2,761,065)
Communication supplies and services	1,145,347	1,183,954	(38,607)
Total	49,475,267	48,697,267	778,000

No reconciliation was provided between the ledger figures and the financial statements.

2. Cash and Cash Equivalents

The statement of financial assets and liabilities as at 30 June 2018 reflects a cash and cash equivalents balance of 15,366,835. Audit review of the balance revealed the following anomalies:

2.1 Unsupported Payments in Cooperative Bank Cash book

Scrutiny of the Cooperative Bank account cash book established that Kshs.4,358,788 and Kshs.1,811,628 were posted as 'total payments' for July and August 2017 respectively. However, a breakdown of the expenditures were not posted in the cash book, making it difficult to ascertain the nature of the two expenditures with a total figure of Kshs.6,170,416.

2.2 Unsupported Transactions in the Cash Book

The analysis of July 2017 and August 2017 postings in the cash book indicated that a total of Kshs.1,810,527 was paid as salaries. However, details about the staff who were paid was not provided for audit verification.

2.3 Undocumented Withdrawals from Cooperative Bank

Analysis of the bank reconciliation statement for the Cooperative Bank account No.01141545120500 as at 30 June 2018 revealed that a total of Kshs.7,453,848 was irregularly withdrawn for unknown reasons as there was no evidence to show that payment vouchers were raised, approved and posted in the cash book as required for proper internal controls as indicated in the table below:

Date	Description	Amount Kshs.
5-6-2018	Not indicated	893,500
Not indicated	Not indicated	98,000
Not indicated	Not indicated	206,021
Not indicated	Not indicated	143,000
Not indicated	Not indicated	5,083,327
Not indicated	Not indicated	1,030,000
Total		7,453,848

Consequently, the accuracy of the cash and cash equivalents balance of Kshs.15,366,835 in the statement of financial assets and liabilities could not be confirmed.

3. Unsupported Expenditure

Included in the statement of receipts and payments for the year ended 30 June 2018 is Kshs.389,924,415 in respect of use of goods and services which includes Kshs.13,765,165 for rentals of produced assets as reflected in Note 4 to the financial statements. The rental for produced assets figure includes payments totaling Kshs.8,500,000 of which payment vouchers were not availed for audit verification.

Further , the figure of Kshs.13,765,165 in respect of rentals of produced assets includes Kshs.4,037,160 disbursed to the 60 wards of Kakamega County being payment for office rents. However, there were no returns filed to confirm how the rent payments were made and accounted for.

4. Unsupported Pending Bills

During the year under review, the County Assembly had unverified pending bills totaling Kshs.62,463,459 as at 30 June 2018. The supporting documents for the pending bills which should include among others invoices, demand notices, suppliers' statements, fee notes and delivery notes were not availed for audit verification.

Consequently, the authenticity of the bills could not be established.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Assembly of Kakamega 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 requirements applicable to performing audits of financial statements in Kenya. I believe that the 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 judgements, 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. Budget Performance Analysis

1.1. Budget Analysis for the Financial Year 2017/ 2018

Comparative analysis of the County Assembly's budget shows that the compensation of employees budget was 59% of the total budget while the actual expenditure of Kshs.464,943,087 was 52% of the total receipts. The other recurrent expenditure budget total was Kshs.358,681,155 being 48% of total budget of which the actual expenditure was Kshs.396,505,742 with and over expenditure of Kshs.37,824,587 as analyzed below;

#	Title	Budget Estimates Kshs.	Actual Kshs.	Variance Kshs.
1	Compensation to Employees	524,776,823	464,943,087	59,833,736
2	Other recurrent expenditure	358,681,155	396,505,742	(37,824,587)

Total	883,457,978	861,448,829	22,009,149
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1.2. Over Expenditure

The analysis of the budget revealed an over expenditure totaling Kshs.126,597,372 on some vote heads as summarized in the table below:

Vote Head	Budget Kshs.	Actual Kshs.	Variance Kshs.	% Variance
Routine maintenance - other assets	1,990,000	8,577,494	(6,587,494)	-331.03%
Employers contributions	15,215,140	43,187,385	(27,972,245)	-183.84%
Utilities supplies and services	600,000	1,578,556	(978,556)	-163.09%
Hospitality supplies and services	15,000,000	32,083,767	(17,083,767)	-113.89%
Fuel, oil and lubricants	2,300,000	3,878,409	(1,578,409)	-68.63%
Routine maintenance - vehicles & Other transport equipment's	2,000,000	2,973,642	(973,642)	-48.68%
Office & general supplies & services	12,900,000	17,907,515	(5,007,515)	-38.82%
Domestic travel, subsistence & other transport costs	175,700,000	242,115,743	(66,415,743)	-37.80%
Total	225,705,140	352,302,512	(126,597,372)	-56.09%

1.3. Under Expenditure

Further, analysis from the various vote heads as indicated below revealed that there was an under expenditure of Kshs.154,039,900.

Vote Head	Budget Kshs.	Actual Kshs.	Variance Kshs.	% Variance
Donations	1,350,000	1,000,000	350,000	25.93%
Rentals of produced assets	20,200,000	13,765,160	6,434,840	31.86%
Other operating expenses	18,960,645	12,225,384	6,735,261	35.52%
Printing, Advertisement and information supplies	19,600,000	10,731,905	8,868,095	45.25%
Basic salaries	194,073,750	93,296,944	100,776,806	51.93%
Specialized material supplies	4,050,000	1,842,011	2,207,989	54.52%
Communication supplies and services	2,700,000	1,183,958	1,516,042	56.15%
Purchase of office furniture and General equipment's	13,830,060	5,580,553	8,249,507	59.65%

Vote Head	Budget Kshs.	Actual Kshs.	Variance Kshs.	% Variance
Personal allowances- paid as reimbursements	1,337,000	532,000	805,000	60.21%
Training expenses staff	9,950,000	3,853,640	6,096,360	61.27%
Purchase of vehicles and other Transport equipment's	12,000,000	-	12,000,000	100.00%
Total	298,051,455	144,011,555	154,039,900	51.68%

2. Payments outside IFMIS

The statement of receipts and payments reflects total payments of Kshs.861,448,053 which in turn include Kshs.199,349,645 paid outside IFMIS in disregard of Section 6 of the County Financial Accounting and Reporting Manual requirements. Further, the payments outside IFMIS of Kshs.199,349,645 included Kshs.11,871,100 made to suppliers of the County Assembly as analysed in the table below.

Ref/ Date	Payee	Particulars	Chq No.	Amount Kshs.
Pv. No. 58	Britam Insurance Co.	Provision of Insurance service	3781	2,750,000
Pv No. 91	Savena Enterprise	Supply of stationary	3813	1,050,000
Pv. No. 152	Colos Investment	General supply	3890	605,000
Pv. No. 155	Elbama Insurance	Provision of Ins. services	3896	6,000,000
Pv. No. 699	Liztec Systems	Office stationary	4710	846,500
Pv. No. 749	Gervasee	Consultancy services	4800	619,600
	Total			11,871,100

3. Procurement of Toyota Prado

The County Assembly sourced the above vehicle at Kshs.13,825,000. The price was based on the contract that was initiated through the agreement between the State Department of Public Works and Toyota Kenya Ltd. On 7 May 2018, Ms Toyota Kenya Ltd issued a proforma invoice of Kshs.13,825,000 but no payment was made as at 30 June 2018, reason being lack of funds. However, there was a provision of Kshs.12,000,000 in the approved budget for purchase of vehicles and therefore, it was not clear how the amount was utilised given that the Assembly received all its budgetary allocation for the year.

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, based on the audit procedures performed, except for the matters described in the 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. Irregularities in Procurement of Goods and Services

1.1. Over-Pricing of Purchased Bottled Water

The statement of receipts and payments reflects Kshs.389,924,415 in respect of use of goods and services. Included in this amount is hospitality and supplies and services figure of Kshs.32,242,539 which in turn include Kshs.3,652,624 being overpriced 500ml bottled water supplied by twelve suppliers at the rate of Kshs.50 contrary to Public Procurement Regulatory Authority Market Price Index- 2017 of Kshs.34 in Kakamega and its environs. Further, it was noted that there was no evidence provided to show that quotations were requested as required in the Public Procurement and Assets Disposal Act, 2015 Section 106(i). In addition, payments for water supply were not supported with vital documents such as local purchase orders, tender evaluation minutes and tender opening minutes and goods received notes.

1.2. Irregular Procurement of Catering Services

Included in the hospitality and supplies and services figure of Kshs.32,232,539 is Kshs.2,384,570 paid to various contracted local service providers to provide catering services as analyzed in the table below. However, there were no local service orders, requisitions from the user department and other tender documents such as quotations, tender opening minutes, tender evaluation minutes, and letter of award availed for audit review.

Date	P.V NO.	Payee	Details	Amount Kshs.
9-Mar-18	CBK-1099	Nicholas Okutoyi Anywa	Catering services food and beverage	625,000
6-Feb-18	CBK-864	Victoria Comfort Inn Limited	Catering services food and beverage	750,000
1-Sep-17	CBK-072	Kakamega Sports Club	Catering services food and beverage	509,570
28 June 18	R0800	Pinecone Hotel	Catering services food and beverage	500,000

		Total		2,384,570
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1.3. Irregular Hire of Motor Vehicles

Included in the use of goods and services figure of Kshs.389,924,415 is other operating expenses figure of Kshs.11,356,384 which in turn includes Kshs.1,128,000 paid to two (2) contracted local service providers for hire of motor vehicles. However, no requisition from the user department, tender documents such as quotations, tender opening minutes, tender evaluation minutes and letter of award were availed for audit review. Further, the type of the vehicles provided were not indicated to ascertain whether the amount charged was commensurate to the type of vehicle and there was no original copy of local service order availed for audit review as stated below:

Details	Payee	Details	Amount Kshs.	Comments
R048	Motherland Towers	Hire of Transport	380,000	No tender documents.
R067	Ngakhwa Enterprises	Hire of Transport	348,000	No tender documents.
R0583	Ngakhwa Enterprises	Provision of Transport-KCD 967R	100,000	No tender documents. No LPO
R0125	Ngakhwa Enterprises	Hire of Transport-KCF 449G	100,000	No tender documents. No LPO
R042	Ngakhwa Enterprises	Hire of Transport-KDC 967R	100,000	No tender documents. No LPO
R043	Ngakhwa Enterprises	Hire of Transport-KCD 642Y	100,000	No tender documents. No LPO
		Total	1,128,000	

1.4. Irregular Leasing of Office Space at KATECO Building

Included in the use of goods and services figure of Kshs.389,924,415 is rental of produced assets figure of Kshs.13,765,165 which in turn includes Kshs.8,500,000 paid by the County Assembly as rent to secure space for Members of County Assembly at KATECO building in Kakamega town. The County Assembly entered into an agreement on 16th February 2016 with the landlord to offer lease space of 4,600 square feet at a rate of Ksh.102 per square foot per month. The agreement was that Kshs.542,800 was to be paid monthly as office rent. However, there was no evidence of market survey conducted. In addition, tender documents such as quotations, tender opening minutes, letter of award, letter of acceptance and bids from other unsuccessful bidders were not availed for audit verification. Further, it was noted that, the management entered into agreement

with the landlord for extra space of 2,000 square feet on 18 August 2016 of which the additional monthly rent was Kshs.708,000 per month. However, there was no evidence that the extra rental cost incurred was subjected to fresh tendering.

1.5. Irregular Procurement of Insurance Services

Included in the use of goods and services figure of Kshs.389,924,415 is insurance costs figure of Kshs.40,661,005 which in turn include Kshs.32,750,000 paid to a local insurance company contracted to provide medical insurance services to both MCAs and staff of the County Assembly. The Assembly advertised for provision of medical insurance services where by 14 companies tendered their bids. The general, technical and financial evaluation was carried out by the staff of the County Assembly where all the 14 companies passed the first phase of general evaluation. On the technical phase (technical), ten companies were dropped and four were to be subjected to the final phase (financial evaluation). The contracted firm was subsequently selected as the most responsive bidder for Kshs.30,579,091. However, the details of the financial report of the other three bidders was not provided making it impossible to confirm that Ms Britam was the most responsive at the final phase. Further, the analysis of payment to the service provider shows that Kshs.32,750,000 was paid instead of Kshs.30,579,091 quoted by the company leading to a variance of Kshs.2,170,909. No explanation was provided on how the contracted price of Kshs.30,579,091 was varied.

1.6. Unsupported Procurement of Consultancy Services

Included in the other operating expenses figure of Kshs.11,356,384 is Kshs.5,546,378 paid to various consultants contracted by the County Assembly to offer consultancy services. However, tender documents such as bids and quotations, tender evaluation minutes, letter of award and letter of acceptance, contract agreement, appointment letters, tender opening minutes, tender evaluation and workshop report, terms of reference, draft validation report, original list of participants who attended the workshop and approved methodology for developed detailed activities for training programs for the staff were not availed for audit verification.

Date	P.V No.	Payee	Details	Amount Kshs.
9 Jan 2018	R0413	Lybe Agencies	Training-Consultancy	1,500,000
3 June 2018	R0567	Lybe Agencies	Training-Consultancy	1,500,000
3 July 2018	R0587	Royal Avila Consultants Ltd	Training-Consultancy	800,560
7 Nov 2017	R0154	Garvasse Akhaalyi	Consultancy fee	626,400
31 May 2018	R0749	Gervasee Akhaabi	Consultancy fee	619,600
26 Jan 2018	R0469	Royal Avila Consultants Ltd	Consultancy fee	500,000
		Total		5,546,560

1.7. Unsupported Procurement of Assorted Cleaning Materials

Further, included in the other operating expenses figure of Kshs11,356,384 is Kshs.1,400,000 paid to a local supplier for supply of assorted cleaning materials which were not supported with tender documents such as quotations, tender opening minutes, tender evaluation minutes, letter of award, and letter of acceptance, requisition from the user department.

In addition, it was noted that two extra invoices Nos.409 and 408 with amounts of Kshs.955,880 and Kshs.876,700 respectively were not dated. Further, the total amount invoiced was Kshs.1,832,580 whereas LPOs indicated Kshs.1,822,500 resulting into unexplained variance of Kshs.10,080.

1.8. Unsupported Procurement of Fumigation, Plumbing and Cleaning Services

Included in the other operating expenses figure of Kshs.11,356,384 are payments to two local firms of Kshs.570,000 for fumigation services and Kshs.420,000 for plumbing / clearing services all totaling Kshs.990,000. However, there were no tender documents such as quotations, tender opening minutes, letter of award, and letter of acceptance, which is evidence that such works/services were done within County Assembly of Kakamega.

1.9. Unsupported Procurement of Office Stationeries and Cleaning Services

Included in the other operating expenses figure of Kshs.11,356,384 are payments totaling Kshs.8,327,818 paid to eight local suppliers to supply various goods and services as analyzed in the table below. However, documents such as quotations, tender opening minutes, tender evaluation minutes, letter of award and letter of acceptance, requisition from the user department, stores ledger cards were not availed for audit review.

Date	Payee	Details	PV No	Amount Kshs	Comments
1/9/2017	Bemshi Enterprises	Supply of Toner	R006	807,500	No tender documents. No S11 and stores ledger. Delivery note not signed.
9/10/2017	Bemshi Enterprises	Office Stationery	R0113	495,980	No tender documents. No S11 stores ledger
6/11/2017	Colos Investment	General Office Supply	R0152	605,000	No tender documents. No S11 stores ledger
8/9/2017	Dishaba Contractors	Supply of Office Stationery	R030	582,500	No tender documents. No S11 stores ledger
17/11/2017	Double Shasa Ltd	Supply of Office Stationery	R0203	743,500	No tender documents. No S11 stores ledger
28/6/2017	Double Shasa Ltd	General office Supply	R0789	624,500	No tender documents. No S11

Date	Payee	Details	PV No	Amount Kshs	Comments
					stores ledger. No LPO attached
6/9/2017	Double Shasa Ltd	Stationeries	R075	582,500	No tender documents. No S11 stores ledger
1/9/2017	Dreamline Artzone	Newsletter Printing	R013	525,000	No tender documents. No S11 stores ledger
17/11/2017	Happstar Communication	Supply Of Photocopy Papers	R0214	478,750	No tender documents. No S11 stores ledger
3/10/2017	Matendegere General	Cleaning Materials	R0101	432,588	No original documents such as invoices, LPO, Delivery notes
6/9/2017	Matendegere General	Cleaning Services	R031	1,400,000	No tender documents. No S13 stores ledger
27/9/2017	Saveen Enterprises	General Supply	R091	1,050,000	No tender documents. No S11 and stores ledger. Delivery note not signed. No original documents attached.
Total				8,327,818	

1.10. Irregularly Paid Advertisement Services

Included in the use of good and services figure of Kshs.389,924,415 is Kshs.10,731,905 for printing and advertisement and information supplies and services which in turn includes Kshs.1,189,722 for advertisement services by the Standard Group as per invoice No.80048199 dated 8 February 2018. However, examination of the payment voucher and cash book indicates that Kshs.601,877 was paid to Jackson Otieno instead of Standard Group Ltd. Further, examination of another payment voucher No.55 of 6 September 2017 of Kshs.587,845 indicates that the payment voucher was raised in the name of Standard Group Ltd but the cheque for the payment was issued to Jackson Otieno irregularly.

In the circumstances, it was not possible to ascertain propriety validity and regularity of the expenditure of Kshs.393,378,191389,924,415 incurred on use of goods and services during the year under review.

2. Unexplained Expenditure

2.1. Unsupported Expenditure on Fuel, Oil and Lubricants

Included in the use of good and services figure of Kshs.389,924,415 is Kshs.7,836,309 for fuel and lubricant drawn on contract arrangement with Total Kenya Limited. However, no fuel registers and statements from the company were availed for audit verification. In addition, there was no local purchase order availed in respect to purchase of fuel. Further, (eight (8) motor vehicles work tickets were not availed for audit review as detailed below:

Month	Registration No.	Make
July 2017	KAV 318E	M/PAJERO
August 2017	KAV 318E	M/PAJERO
September 2017	KAV 318E	M/PAJERO
July 2017	KAW 710Z	Toyota Hilux D/Cab
August 2017	KAW 710Z	Toyota Hilux D/Cab
August 2017	KBU 903T	Toyota Prado
September 2017	KBU 903T	Toyota Prado
October 2017	KBU 903T	Toyota Prado

In the absence of fuel statements and register, it was difficult to confirm that fuel worth Kshs.7,836,309 was purchased and used for official purpose.

2.2. Direct Payments of Per Diems and Allowances to the Officers

Included in the used of goods and services figure of Kshs.389,924,415 is Kshs.235,768,087 for domestic travel and subsistence which in turn includeincludes Kshs.92,109,195 directly paid to County Assembly staff as imprest without use of authorized imprest warrants as required by the Public Finance Management Act 2015 Section 93(3). The payments were made directly to various officers who later distributed the same to various recipients’.

In the absence of imprest warrants, it was not possible to confirm whether all the officers really undertook the stated assignments.

3. Stalled Construction of Ultra-Modern Offices

As previously reported, the County Assembly appointed a local construction company to construct ultra-modern offices at a contract sum of Kshs.499,579,788 which was awarded on 11 September 2015. The contractor stopped the construction work since the parcel of land where the construction was to be undertaken had a pending court case. The contractor issued the initial fee note of Kshs.9,090,324 on 29 January 2016. However, it was not supported with a certificate from the body appointed by the County Assembly as the project consultant. Since the County Assembly declined to pay the requested sum of Kshs.9,090,324 to the contractor and Kshs.491,340 to National Environment Management Authority (NEMA), the contractor filed a case in the lower court. The case was dismissed on a technicality. Later, the contractor escalated the case in the High Court

of Kakamega (Court Case No.3 of 27 November 2017) and demanded total payment of Kshs.91,551,568 citing accrued interest, idle labour and equipment. Once again the case was dismissed on technicality. There is no evidence of efforts made by the County Assembly to ensure that the land case and which is pending for the last three years is to be sorted out. Further, no budget has been approved for the project in the last two years.

In the circumstances, the County Assembly is likely to pay a lot of money in interest and penalties as the construction stalls.

4. Compensation of Employees

4.1 Irregular Payment Sitting Allowance

The statement of receipts and payments reflects compensation of employees figure of Kshs.464,943,085. Included in this amount is Kshs.4,911,000 being payment of sitting allowances to Members of the County Assembly. However, examination of the attendance registers revealed the following anomalies.

Attendance Register				
Committee	Sittings on Weekends	No Dates Provided	Dates Recorded Twice	Not Signed
1. Public Accounts Committee	12/11/2017-Sunday 20-24 Feb 18		06/11/2017-10am sitting	
2. Power and Privileges		SN 11		
3.Appointment Committee		SN10		
4. Budget & Appropriation	20/1/2018			29/11/17
	13/1/2018	SN8		1/12/2017

4.2 Departmental Committees

Examination of eight (8) departmental committees out of the 23 committees in the year under review revealed that the sitting allowances paid in seven (7) departmental committees was characterized with duplication as summarized below: -

	Committee	Members	Paid Sessions(a)	Registered Sessions(b)	Excess (c)=(a) –(b)	Excess amount Kshs.
1.	Finance	11	62	53	9	306,900
2.	Appointment	7	44	12	32	873,600
3.	Education Science, Technology & ICT	15	111	95	16	787,500

	Committee	Members	Paid Sessions(a)	Registered Sessions(b)	Excess (c)=(a) –(b)	Excess amount Kshs.
4.	Public Accounts & Investment	10	82	76	6	180,000
5.	House Business	9	69	20	49	1,574,100
6.	Budget & Appropriation	11	73	69	4	171,600
7.	Power & Privileges	9	78	49	29	1,017,900
	Total					4,911,600

The excess sessions translate to sitting allowances amounting to Kshs.4,911,600 paid irregularly as analyzed in the table below.

Analysis									
Committee	2017				*3000	2018			*3900
	Members	Paid Sessions	Registered	Excess	Amount paid	Paid	Registered	Excess	Amount paid
Finance	11	24	16	8	264,000	38	37	1	42,900
Appointment	7	0	0	0		44	12	32	873,600
Education, Science, ICT	15	27	16	11	495,000	84	79	5	292,500
Public Accounts	10	29	23	6	180,000	53	57		0
House Business	9	24	6	18	486,000	45	14	31	1,088,100
Budget	11	18	20			55	51	4	171,600
Power Privileges	9	14	14	0		64	35	29	1,017,900
Ward Development Committee	13	18	18	0		35	35	0	0
					1,425,000				3,486,600
						Total Allowances Overpaid			4,911,600

4.3 Irregular Allowance Claims

Verification of vouchers and attendance registers for some sampled committees revealed that a total of Kshs.486,000 committee allowances was paid to members who were at the same time attending different sessions outside the County Assembly as analyzed below:

Committee	Dates	Conference Pay Kshs.	Committee Allowance Kshs.
Appointment	20-24 Feb 2018	357,200	130,000
Budget & Appropriation	29/11/2017 & 1/12/2017	660,000	140,000

Education, science	14/12/2017	450,000	94,000
Power & Privileges	13/12/17	270,000	58,000
Health	13/12/17	300,000	64,000
TOTAL			486,000

5. Ethnic Representation in the County Assembly

Scrutiny of the IPPD for the period 2017/2018 revealed that the County Assembly had 80 members of staff as at 30 June 2018 of which 93.75% were from the dominant community leaving only 6.25% to other communities contrary to Section 65(1) of the County Government Act, 2012 which requires 70% for the dominant community and 30% for other non-dominant community to be in the employment of the County Assembly.

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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

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 Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Lack of an Audit Committee

As previously reported, the Assembly has not established an audit committee contrary to Section 155(5) of the Public Finance Management Act, 2012 which states that a County Government shall establish an internal auditing committee whose composition and functions are prescribed by Regulation 167 of the Public Finance Management (County Governments), Regulations 2015. Therefore, the County Assembly has not put in place the requisite framework to mitigate on the weak internal control systems.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 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 governance.

In preparing the financial statements, management is responsible for assessing the ability of the County Assembly to continue sustaining its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless management intends to cease operations of the County Assembly, 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.

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 Assembly'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 County Assembly's 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 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 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 County Assembly to cease to continue sustaining 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 Assembly 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

18 February 2019