

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF KIRINYAGA 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 Kirinyaga set out on pages 1 to 18, 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 and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position County Assembly of Kirinyaga 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 matter described in the Basis for Qualified Opinion and Other Matter sections of my report, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1.0 Presentation of the Financial Statements

A review of the financial statements presented for audit revealed the following anomalies and omissions;

- (i)** The annexes on pending accounts payables, and summary of fixed assets register as prescribed by the Public Sector Accounting Standards Board (PSASB) were omitted from these financial statements.
- (ii)** The list of creditors totaling Kshs.9,114,091.50 attached to these financial statements is not numbered.

Consequently, the financial statements for the year ended 30 June 2017 do not comply with International Public Sector Accounting Standards (IPSAS) No.1 on presentation as prescribed by the Public Sector Accounting Standards Board (PSASB).

2.0 Transfers from County Treasury/Exchequer

The statement of receipts and payments for the year ended 30 June 2017 reflects transfers from the County Treasury/Exchequer of Kshs.482,465,015. However, records maintained

at the County Executive indicate a figure of Kshs.480,465,015 resulting in unexplained variance of Ksh.2,000,000.

As a result, the accuracy and completeness of the receipts from the County Treasury/Exchequer totaling Ksh.482,465,015 for the year ended 30 June 2017 could not be confirmed.

3.0 Use of Goods and Services

The statement of receipts and payments for the year ended 30 June 2017 reflects use of goods and services expenditure totaling Kshs.255,732,591 as detailed in Note 5 to the financial statements.

Included in the use of goods and services balance of Kshs.255,732,591 and as further disclosed in Note 5 to the financial statements is rental of produced assets expenditure of Kshs.2,320,000. However, a review of records in respect of these expenditure revealed that all payments were made in the name of Kirinyaga County Assembly and were not captured in IFMIS computer system.

Consequently, the propriety and completeness of the expenditure of Kshs.2,320,000 incurred on rentals of produced assets for the year under review could not be confirmed.

4.0 Acquisition of Assets

The statement of receipts and payments for the year ended 30 June 2017 reflects acquisition of assets figure of Kshs.1,511,235.00 as disclosed under Note 10 to the financial statements. The amount comprised of Kshs.753,135 in respect of overhaul and refurbishment of construction and civil works and Kshs.758,100 in respect of overhaul of vehicles and other transport equipment. However, a review of expenditure records of the County Assembly revealed that payments amounting to Kshs.3,558,450 comprising of refurbishment of buildings, purchase of vehicles and other transport equipment and purchase of office furniture and general equipment of Kshs.341,270, Kshs.1,878,800 and Kshs.1,338,480 respectively were charged on recurrent instead of development vote.

5.0 Pending bills

Attached to these financial statements on page 24 is a list of creditors as at 30 June 2017 of Kshs.9,114,092. However, a review of accounting records maintained by the County Assembly indicates that unpaid bills amounting to Kshs.3,588,454 in respect of various goods and services were not disclosed and included in the list of creditors/pending bills for the year.

Further, had the bills been paid and the expenditure charged to the accounts for the year under review, the surplus of Kshs.512,593 reflected in the statement of receipts and payments would have decreased to a deficit of Kshs.12,189,953 an indication that the management entered into financial commitments for which no resources were available contrary to section 135 (1) of the Public Finance Management Act, 2012 which requires the County Assembly not to spend money that has not been appropriated. The bank balances of Kshs.21,053 as at 30 June 2017 is also inadequate to cover these pending bills.

Consequently, the propriety, accuracy and completeness of the pending bills totaling Kshs.9,114,092 as at 30 June 2017 could not be confirmed.

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

Other Matter

1.0 Overall Budget Performance

The Kirinyaga County Assembly had a budget of Kshs.528,465,015 voted for the financial year 2016/2017 comprising Kshs.48,000,000 for development expenditure and Kshs.480,465,015 for recurrent expenditure. Actual payments amounted to Kshs.481,952,422 resulting to under-absorption of funds of Kshs.46,512,594 or approximately 9% of the budget as summarized below: -

	2016/2017 Budgeted Amount Kshs.	2016/2017 Actual Expenditure Kshs.	Under Absorption Kshs.	%Under absorption
Development	48,000,000	1,511,235	46,488,765	97
Recurrent	480,465,015	480,441,187	23,828	0.00
Total	528,465,015	481,952,422	46,512,593	97

The under absorption of Kshs.46,512,593 impacted negatively on service delivery by the County Assembly during the year under review.

1.2 Development Budget

During the year under review, the County Assembly of Kirinyaga allocated Kshs.48,000,000 for development projects and spent Kshs.1,511,235 resulting in a net under expenditure of Kshs.46,488,765 or 97%. The management has not provided explanation for the failure to utilize all approved budgetary provisions thus negatively affecting service delivery to the public.

1.3 Recurrent Budget

During the year under review, the County Assembly of Kirinyaga provided Kshs.480,465,015 for recurrent expenditure and spent Kshs.480,441,187 representing 100% absorption.

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 County Assembly's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the County 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. 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.

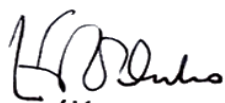
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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.
- 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 County Assembly's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County 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 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

27 June 2018