

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF TAITA TAVETA 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 Taita Taveta set out on pages 1 to 22, 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 summary statement of appropriation: 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 of County Assembly of Taita Taveta 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, based on the procedures performed, except for the matters described in the Qualified Opinion and Other Matter sections of my report, 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 Transfer from County Treasury / Exchequer

The statement of receipts and payments reflects receipts of Kshs.530,269,650 while cash book analysis revealed actual receipts of Kshs.534,770,564, resulting in unexplained or reconciled variance of Kshs.4,500,914.

Consequently, the validity and accuracy of receipts amounting to Kshs.530,269,650 for the year ended 30 June 2017 could not be ascertained.

2.0 Outstanding Imprest

The statement of assets and liabilities as at 30 June 2017 reflects accounts receivables - outstanding imprests balance of Kshs.2,403,476. Included in this balance are multiple imprests amounting to Kshs.1,636,524 contrary to Section 93(5) of the Public Finance Management (County Government) Regulations 2015, which states that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station.

As a result, the propriety and recoverability of the imprest balance of Kshs.2,403,476 as at 30 June 2017 could not be ascertained.

3.0 Unsupported Expenditure

The financial statements presented for audit review for the year ended 30 June 2017 had unsupported expenditure amounting to Kshs.14,990,021 as summarized below.

Item	Purpose	Note	Amount (Kshs.)	Observation
Other personal payments	Payment of gratuity	4	11,095,707	Payment vouchers were no availed for audit verification
Hospitality supplies and services	Hire of conference facilities hotel accommodation and catering services	5	527,400	Payment vouchers were no availed for audit verification
Foreign travel and subsistence	Cost of air tickets for members of county assembly and staffs	5	1,195,808	Payment vouchers were not availed for verification
Routine maintenance for motor vehicles and other transport equipment	Repair and maintenance of motor vehicles and other transport equipment	5	101,235	Payment vouchers were not availed for verification
Routine maintenance – Other assets	Repair and maintenance of county assembly’s assets	5	754,471	Payment vouchers were not availed for verification
Personal allowances paid as part of salaries (Committee allowances)		4	1,315,400	Schedule to support committee allowances was not availed for audit verification
Total unsupported payments			14,990,021	

In the circumstances, the validity and propriety of expenditure amounting to Kshs.14,990,021 expended on the above accounts for the year ended 30 June 2017 could not be confirmed.

4.0 Other Operating Expenses

Note 5 to the financial statement for the year ended 30 June 2017 reflects use of goods and services figure of Kshs. 226,997,547. Included in this figure, is other operating

expenses amounting to Kshs. 5,946,407 against Integrated Financial Management Information System payment details extract for the same which reflects an actual expenditure of Kshs.22,947,534 resulting in an unexplained or reconciled variance of Kshs.17,001,127.

Consequently, the accuracy of payments amounting to Kshs.5,946,407 related to other operating expense could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Assembly of Taita Taveta 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 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 matter 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. Budgetary Control and Performance

The County Assembly of Taita Taveta had a total budget of Kshs.584,500,000 voted for the financial year 2016/2017. Actual expenditure amounted to Kshs.509,366,095 resulting to an overall under-absorption of Kshs.75,133,905 or 13 % of the budget as summarized below:

Item	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Under Absorption in (Kshs.)	Under Absorption (%)
Development Vote	-	-	-	-
Recurrent Vote	584,500,000	509,366,095	75,133,905	13
Total	584,500,000	509,366,095	75,133,905	13

The under absorption of Kshs75,133,905 or 13% may have negatively impacted on goods and service delivery by the County Assembly of Taita Taveta. As a result there is need for the County Assembly to evaluate its budget making mechanism with a view of allocating resources to priority areas for higher positive impact and utilization of the budget.

2.0 Variance between the Financial Statements and Report of the Comptroller of Budget

The statement of receipts and payments reflects exchequer releases of Kshs.530,269,650 for the year ended 30 June 2017 while Comptroller of Budget Report for the same year indicated that the County of Assembly of Taita Taveta received exchequer releases

amounting to Kshs.465,420,000 resulting to unexplained nor reconciled variance of Kshs.64,849,650.

Further, the comptroller of budget report reflects total expenditure amounting to Kshs.585,050,000 while the financial statements reflects expenditure balance of Kshs.509,366,095 resulting to unexplained nor reconciled variance of Kshs.75,683,905. Consequently, the accuracy of receipts of Kshs.530,269,650 and payments of Kshs.509,366,095 respectively for the year ended 30 June 2017 could not be ascertained.

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 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 International Standards of Supreme Audit Institutions (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 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 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

16 July 2018