

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

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of County Assembly of Turkana set out on pages 1 to 31, 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 do not express an opinion of the accompanying financial statements. Because of the significance of the matter described in the basis for Disclaimer Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. Accordingly, I do not express an audit opinion on the financial statements.

In addition, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate audit evidence to confirm that public money has been applied lawfully and in an effective way.

Basis for Disclaimer of Opinion

1.0 Transfer from the County Treasury/Exchequer Releases

The statement of receipts and payments for the year ended 30 June 2017 reflects transfer from the County Treasury /Exchequer Releases of Kshs.763,428,475 which is at variance with the figure of Kshs.1,016,430,000 as indicated in the report of controller of budget for the same period comprising of recurrent exchequer of Kshs.763,430,000 and development exchequer releases of Kshs.253,000,000 and therefore resulting in unexplained difference of Kshs.253,001,525. Consequently, the validity, accuracy and completeness of the transfer from county treasury/exchequer Releases of Kshs.763,428,475 reflected in the statement of receipts and payments for the year ended 30 June 2017 could not be confirmed.

2.0 Use of Goods and Services

2.1 Office and General Supplies and Services

Included in the use of goods and services figure of Kshs.402,328,776 reflected in the statement of receipts and payments for the year ended 30 June 2017 is Kshs.35,129,463 and as disclosed in note 5 to the financial statements in respect of office and general supplies and services expenses. However, out of this figure of Kshs.35,129,463, an amount of Kshs.17,502,228 was not supported by procurement records such as requisitions from the users, quotations, opening, evaluation and award committee minutes and inspection and acceptance committee reports. Consequently, the propriety of expenditure totaling to Kshs.17,502,228 incurred on office and general supplies and services for the year ended 30 June 2017 could not be confirmed,

2.2 Hospitality Supplies and Services

Included in the use of goods and services figure of Kshs.402,328,776 and as disclosed under note 5 of the financial statements, is Kshs.11,171,455 incurred on hospitality supplies and services. However, no evidence was provided for audit verification to show that the services were subjected to competitive bidding process.

Consequently, the propriety of expenditure of Kshs.11,171,455 on hospitality supplies and services during the year under review could not be confirmed.

2.3 Hire of Motor Vehicles

Included also in the use of goods and services figure of Kshs.402,328,776 and as disclosed under note 5 of the financial statements is Kshs.77,719,989 in respect of other operating expenses out of which an amount of Kshs.10,704,743 was incurred on hire of motor vehicles. However, no evidence was provided to show how the procurement process was undertaken to hire the motor vehicles. Consequently, the propriety of expenditure of Kshs.10,704,743 incurred on hire of motor vehicles for the year ended 30 June 2017 could not be confirmed.

2.4 Hire of Legal Services

Included in the use of goods and services figure of Kshs.402,328,776 reflected in the statement of receipts and payments is a figure of Kshs.35,129,463 in respect of office and general supplies and services expenses out of which Kshs.5,248,000 was paid to a law firm for providing legal services. However, available information revealed that the law firm was not among those prequalified to provide legal services to the County Assembly. It was therefore not possible to confirm how the firm was identified as the lowest bidder. Further, documentary evidence showing the exact legal services provided by the law firm was not provided for audit verification. Consequently, the propriety of expenditure of Kshs.5,248,000 incurred on legal services for the year ended 30 June 2017 could not be confirmed.

2.5 Routine Maintenance-Vehicles and Other Transport Equipment

Included in the use of goods and services figure of Kshs.402,328,776 reflected under note 5 of the financial statements is Kshs.10,397,768 in respect of routine maintenance –vehicles and other transport equipment. However, examination of payments vouchers provided for audit review revealed that out of the balance of Kshs.10,397,768, an amount of Kshs.6,662,205 was not supported by electronic tax receipts (ETR), local purchase order, local service orders, and procurement records such as quotations, evaluation minutes and inspection and acceptance committee report.

Consequently, the propriety of the expenditure of Kshs.6,662,205 on routine maintenance – vehicles and other transport equipment for the year ended 30 June 2017 could not be confirmed.

2.6 Unsupported Domestic Travel and Subsistence

Included in the use of goods and services figure of Kshs.402,328,776 reflected under note 5 of the financial statements is expenditure of Kshs.190,388,579 on domestic travel and subsistence. Included in this figure is an amount of Kshs.27,226,655 whose supporting documents such as requisitions, invitation letters, work programs, evidence of means of travel and attendance registers were not provided for audit review.

Consequently, the propriety of the expenditure of Kshs.27,226,655 on domestic travel and subsistence for the year ended 30 June 2017 could not be confirmed.

2.7 Unsupported Foreign Travel and Subsistence

Included in the use of goods and services balance of Kshs.402,328,776 reflected in the statement of receipts and payments is Kshs.15,333,497 in respect of foreign travel and subsistence allowance out of which an amount of Kshs.1,193,648 was paid to two officers of the County Assembly to cater for their travel to Malaysia for an Institute of Certified Public Accountants of Kenya (ICPAK) international seminar. However, the expenditure was not supported with invitation letters, workshop and activity program, air tickets, boarding passes, copy of passports and attendance register. In addition, Cheque No 2401 dated 23 January 2017 for Kshs.2,212,200 was drawn for an overseas travel and subsistence allowance for six (6) Members of the County Assembly to travel to South Africa for a training on public policy on child care and child rights as per the invitation letter from Cynar Kenya Co Ltd. According to the South African Program, the members were to meet with Members of Executive Council for Gauteng Province in South Africa. However, examination of the supporting documents revealed that the members never travelled to South Africa. Consequently, the propriety of expenditure totaling Kshs.3,405,848 on foreign travel and subsistence allowance for the year ended 30 June 2017 could not be confirmed.

3.0 Compensation of Employees

3.1 Excess Mileage Claim

The statement of receipts and payments reflects compensation of employee's balance of Kshs.459,401,490 which include Kshs.59,933,531 in respect of extra commuter allowance paid as part of salaries to members of the County Assembly (MCAs) out of which an amount of Kshs.47,690,092 was in respect of excess mileage claims to the members of the County Assembly over and above the ninety Kilometers (90 km). However, the details of how the excess claims were arrived at was not availed for audit review. In addition, no logbooks were availed for audit verification to confirm cubic capacity of the vehicles contrary to SRC Circular ref number SRC/TS/CGGOVT/3/16 dated 27 November 2013 which requires members whose areas of representation are situated beyond the 45 kilometers return journey (90 km) to make a weekly reimbursable claim of the extra mileage when they travel to their area of representation at applicable AA rates based on the cubic capacity of the vehicle per extra kilometer, subject to a maximum of 52 weeks in a year.

Consequently, the propriety of expenditure of Kshs.47,690,092 on excess mileage claim for the year ended 30 June 2017 could not be confirmed.

4.0 Cash and Cash Equivalents

4.1 Bank balances

4.1.1 Recurrent Account Number 1148564594

The statement of financial assets reflects bank balance of Kshs.41,535,899 comprising of Kshs.86 for recurrent account number 1148564594 at Kenya commercial Bank-Lodwar and Kshs.41,535,813 for recurrent account number 1148564594 at Central Bank of Kenya. However, bank reconciliation statements, bank confirmation certificates for the two accounts and bank statements for central Bank of Kenya account were not availed for audit verification.

4.2 Lack of Cash Book

Note 13A to the financial statements reflects Central Bank of Kenya Account balance of Kshs.41,535,813 as at 30 June 2017. However, the cash book for this account was not availed for audit review.

Consequently, the accuracy and completeness of the bank balance of Kshs.41,535,899 reflected in the statement of assets as at 30 June 2017 could not be confirmed. Further, the validity of these financial statements could not be confirmed in the absence of Central Bank of Kenya cash book.

4.3 Cash in Hand

The statement of financial assets reflects nil cash in hand. However, no board of survey report was availed for audit verification.

Consequently, the accuracy and completeness of the nil cash in hand balance reflected in the statement of assets as at 30 June 2017 could not be confirmed.

4.4 Unaccounted for Cash Withdrawal for Office Use

A review of the County Assembly's cash book for recurrent account number 1148564594 for the year ended 30 June 2017 revealed that various staff of the County Assembly withdrew cash totalling to Kshs.55,656,397 for office use and was indicated in the cash book as contra entries. However, no supporting documents were availed for audit review to show how this amount was spent. It was further observed that cheque number 2150 for Kshs.14,500,000 was issued to withdraw cash for office use and the same debited in County Assembly bank Account. However, scrutiny of the cash book revealed that it was recorded as Kshs.500,000 in the cash book. It is not clear and the management has not explained how Kshs.14,000,000 was accounted for since no supporting documents were provided for audit verification. Under the circumstances, the propriety of Kshs.14,000,000 cash withdrawn could not be confirmed and hence the accuracy of the bank balance of Kshs.41,535,899 as at 30 June 2017 could not be ascertained

4.5 Maintenance of Cash Book

Examination of the cash book maintained by the County Assembly revealed that the cash book for recurrent bank account number 1148564594 at Kenya commercial Bank-Lodwar operated by the County Assembly was not closed at the end of the year. Also it was observed that the cash book was not regularly reviewed by an authorized officer who should ensure that the cash book is written up to date and balanced daily and cash in hand verified. In addition, no board of survey reports were provided for audit verification as evidence that the board of survey was conducted at the close of the year. In the circumstance, the County Assembly breached the law and the accuracy and completeness of bank balance of Kshs.41,535,899 as at 30 June 2017 could not be confirmed.

5.0 Outstanding Imprest

The statement of financial assets as at 30 June 2017 reflects outstanding imprest balance of Kshs.10,557,066. However, the management does not maintain an imprest register to record details of imprests issued indicating the date of issue, name of imprest holder, purpose and date due. In addition, the outstanding imprest included multiple imprests amounting to Kshs.1,192,500 issued to two employees of the County Assembly contrary to Public Financial Management Act Regulations which require officers to surrender or account for previous imprest before they are

issued with new imprest and section 93(5) which states that imprest should be accounted for within seven days after performance of duties for which they were issued. Consequently, the accuracy and propriety of the outstanding imprest of Kshs.10,557,066 as at 30 June 2017 could not be confirmed.

6.0 Construction of Ward Offices

Records availed for audit examination indicated that the County Assembly had a budget of Kshs.180,000,000 for the construction of twenty-five (25) ward offices. Available information revealed that the construction of wards offices were awarded and contract signed with a total cost of Kshs.300,019,008 which exceeded the budgeted amount by Kshs.120,019,008. However, the contract agreements signed did not indicate the date of the commencement of works and the expected date of completion. In addition, section II of the contracts paragraph 2.2 indicates that the contractor shall begin carrying out the works immediately and not more than 14 days after the date the contract becomes effective. Physical verification during the year under audit revealed that only 10 out of 25 projects have started. Consequently, there is a risk of the projects not being implemented or delayed implementation due to lack of funds denying the people of Turkana the much needed services.

7.0 Construction of New County Assembly Offices

Records availed for audit examination indicated that the County Assembly had budget of Kshs.77,000,000 for the construction of new County Assembly offices. Tender records indicate that the construction of new County Assembly was awarded to a construction company at a cost of Kshs.179,736,282 and a contract signed on 26 June 2016. However, the contract price exceeded the budgeted amount by Kshs.102,736,282. Further, the contract agreements signed did not indicate the date of the commencement of works and the expected date of completion. In addition, section II of the contracts paragraph 2.2 indicates that the contractor shall begin carrying out the works immediately and not more than 14 days after the date the contract becomes effective but the works had not start during the year under review. There is a risk of the projects not being implemented or delayed implementation due to lack of funds denying the residents of Turkana the much needed services.

8.0 Unused Gymnasium Equipment

As reported in the previous year, payment vouchers and records availed for audit examination revealed that the County Assembly awarded a contract to a firm for the supply and delivery of gym equipment and paid a total of Kshs.7,500,000 for the supply and delivery of gym equipment. However, the payment voucher lacked important support documents such as bid documents, contract agreements, report of the inspection and acceptance committee to confirm that the goods received had the correct specification and the right quantities as per the tender documents and evidence of any testing on the equipment was conducted to confirm they were working before effecting the payment. Audit review during 2016/2017 financial year

revealed that the County Assembly did not have a gym room and the equipment were lying idle and had not been installed. Under the circumstances, the objective of the procurement of the gym equipment has not been achieved and the propriety of expenditure of Kshs.7,500,000 incurred on the supply and delivery of gym equipment could not be confirmed.

9.0 Budgetary Control and Performance

9.1. Budget Absorption

During the year under review, Turkana County Assembly had a total budget of Kshs.1,209,158,100 comprising of development budget of Kshs.306,260,000 and recurrent budget of Kshs.902,898,101 or 75% as summarized below:

Item	Approved Budget for 2016/2017 (Kshs)	Actual Expenditure for 2016/2017 (Kshs)	Under Absorption (Kshs)	Under Absorption (%)
Development Budget	306,260,000	0	306,260,000	100
Recurrent Budget	902,898,101	861,730,266	41,167,835	5
Total	1,209,158,101	861,730,266	347,427,835	29

According to the report of the controller of budget, development exchequer issues of Kshs.253 million was released to the county Assembly. However, the amount was not released by the County executive.

9.2 Expenditure budget

Expenditure records availed for audit review indicated that Turkana County Assembly exceeded the budget by Kshs.220,242,330 on three expenditure heads as detailed below:

Recurrent Item	Budget Amount Kshs	Actual Expenditure Kshs	Over expenditure Kshs
Domestic Travel and subsistence	60,157,500	190,388,579	(130,231,079)
Office General Supplies	8,200,000	35,129,463	(26,929,463)

Other Operating Expenses	14,638,201	77,719,989	(63,081,788)
Total	82,995,701	303,238,031	(220,242,330)

However, no evidence was provided to show that the same was regularized through supplementary estimates as required by Section 154 of the Public Finance Management Act, 2012.

Consequently, the propriety of the over expenditure of Kshs.220,242,330 could not be confirmed.

10.0 Failure to Establish Audit Committee

As previously reported, the County Assembly has not established an audit committee contrary to Section 167(1) of the Public Finance Management (County Governments) Regulations 2015 which require county government entities to establish audit committees in accordance with prescribed regulations to monitor the entity governance and accountability processes and control systems, offer objective advice on issues concerning risk, control, and regulatory requirements as well as governance of the Assembly. The County Assembly is therefore in breach of the law.

11.0 Irregular Employment of Staff

Turkana County Assembly recruited 25 (twenty-five) staff and were placed in various cadres/scales of the County Assembly during the financial year under review. However, there was no evidence of advertisement, shortlisting or interviews for the recruited employees contrary to Section 64(3)(f) of the County Government Act, 2012 which require need for an open and transparent recruitment of public servants. Section 64 (4) states that; If a public office is to be filled, the County Public Service Board shall invite applications through advertisement and other modes of communication so as to reach as wide a population of potential applicants as possible and especially persons who for any reason have been or may be disadvantaged. Further, the appointment letters of the employed staff were found to have been signed by the Assembly Speaker instead of the Clerk and no minutes of the County Assembly Service Board for the hiring were provided for audit review contrary to contrary Section 8 I (b) of the County Assembly Human Resource Manual which requires that appointments of all job scales shall be made by the Clerk of the County Assembly as a result of a public advertisement on the recommendation of the County Assembly Service Board (CASB).

12.0 Irregular Staffing

According to the Commissioner on Revenue Allocation (CRA), the recommended total number of staff Turkana County Assembly which is in category II with 30 wards is 88. However, as at 30 June 2017, the Assembly had a total of 214 staff excluding the Hon members and therefore the Assembly is over staffed by 126 staff members.

Further, there was no service scheme developed by the Assembly to regulate grading structures and remunerations leading to irregular remunerations. For instance, the Deputy Clerk of the Assembly whose job scale is 12 earns a basic salary of Kshs.144,928 as compared to the Clerk of the Assembly who is on scale 13 but earns a basic salary of Kshs.132,249 being Kshs.12,679 lower than his deputy. The County is therefore in breach of the law.

13.0 Failure to Comply with One Third Net Salary

Included in the statement of receipts and payments is compensation of employees' amount of Kshs.459,401,490 out of which Kshs.104,237,134 related to basic salaries of permanent employees. Audit review of the County Assembly payroll revealed that during the month of July 2016, forty-seven (47) members of the County Assembly (MCAs) earned net salaries that were less than a third of their respective basic salaries with two members, earning nil net salaries contrary to the provisions of Section 19(3) of the Employment Act, 2007 which states that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry. The County Assembly is in breach of the law.

14.0 Failure to Observe One Third Rule in Staff Establishment and Recruitment

A review of the personnel records availed for audit revealed that Turkana County Assembly had a staff establishment of two hundred and fourteen (214) out of whom two hundred and five (205) or 95 % were from one dominant ethnic community leaving only nine (9) or 5% from other ethnicities. Further review of records indicated that Turkana County Assembly during the year under review, recruited 25 (twenty five) new officers at various cadres all of whom were from one ethnic community against the recommended threshold of 30% as required by Section B.7 of the County Public Services Human Resource Manual, 2013 and Section 65(1)(e) of the County Governments Act, 2012 which requires that in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least thirty (30) percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county. Consequently, the management is in breach of the law.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Turkana 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. Because of the significance of the matter described in the basis for Disclaimer Opinion. However, I am not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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 going concern basis of accounting unless the management either intends to cease operations. Those charged with governance are responsible for overseeing the County Assembly's financial reporting process.

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

My responsibility is to conduct an audit of the county assembly's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAs) 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 I compliance with Article 229(7) of the Constitution. However, because of the matter described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of County Assembly of Turkana 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.



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

Nairobi

16 July 2018