

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF UASIN GISHU FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Assembly of Uasin Gishu set out on pages 1 to 27, which comprise the statement of financial assets and liabilities as at 30 June, 2019, statement of receipts and payments, statement of cash flows and the 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 effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the County Assembly of Uasin Gishu as at 30 June, 2019, 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 Financial Management Act, 2012 and the County Governments Act, 2012.

Basis for Qualified Opinion

1.0 Unsupported Compensation of Employees

The statement of receipts and payments reflects compensation of employees payments totalling Kshs.306,051,584, as further disclosed under Note 3 to the financial statements. Included in the balance are payments identified as Uasin Gishu County Assembly imprest account, ward office payments and payments to Jubilee Party. However, documentation to support the balances such records from the Integrated Payroll and Personnel Database (IPPD), bank and other payment schedules were not presented for audit verification.

In addition, the balance includes basic wages of temporary employees' totalling Kshs.28,010,000. However, records on how the workers, their job contract agreements, copies of their appointment letters and signed payrolls were not made available for audit review.

In the absence of sufficient and relevant evidence, the accuracy, completeness and validity of compensation of employees balance of Kshs.306,051,584 reflected in the statement of receipts and payments could not be confirmed.

2.0 Unsupported Training Expenses

The statement of receipts and payments reflects use of goods and services expenditure totalling Kshs.333,730,974, as further disclosed in Note 4 to the financial statements. Included in the balance is expenditure amounting to Kshs.1,356,300 incurred on House Leadership Training workshop. However, the respective training needs assessment reports, signed attendance lists and certificates as well as imprest warrants issued to participants were not presented for audit review.

Consequently, the accuracy, completeness and validity of the payments totalling Kshs.1,356,300 included in the aggregate use of goods and services expenditure for the year under review could not be confirmed.

3.0 Unsupported Acquisition of Assets

The statement of receipts and payments reflects acquisition of assets balance totalling Kshs.14,621,453, as further disclosed in Note 7 to the financial statements. The balance is reflected as additions in the summary of fixed assets register which reflects cumulative assets amounting to Kshs.80,470,295. However, the assets register was not presented for audit and as a result, the occurrence, measurement, and completeness of the acquisition of assets balance amounting to Kshs.14,621,453 reflected in the statement of receipts and payments for the year under review could not be confirmed.

4. Undisclosed Accounts Payable

The statement of financial assets and liabilities reflects a nil balance in respect to accounts payable. However, Annex 1 to the financial statements reflects pending accounts payable totalling Kshs.16,276,196.

As a result, the accuracy and completeness of the nil accounts payables balance reflected in the statement of financial assets and liabilities as at 30 June, 2019 has not been confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Uasin Gishu County Assembly in accordance with ISSAI 130 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. I have determined that there were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

During the financial year under review, Uasin Gishu County Assembly had an approved budget of Kshs.772,771,448 with Kshs.671,479,866 allocated to recurrent expenditure

and Kshs.100,798,650 to development expenditure. However only Kshs.671,479,866 was disbursed from the County Treasury for recurrent expenditure, whereas no disbursements were made for development expenditure.

Failure to absorb the budget provision meant that the projects that the County Assembly was expected to execute during the year under review were not realized.

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, except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections 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

1.0 Delay in Construction of County Assembly Chambers and Office Block

As reported in 2017/2018, the County Assembly procured consultancy services in respect to the proposed construction of Uasin Gishu County Assembly Headquarters and Chambers.

As at 30 June, 2019 payments totalling Kshs.49,109,389 had been made to a local firm in respect of the consultancy services. The payments were made in two tranches of Kshs.28,000,000 on 8 June, 2018 and Kshs.21,109,389 on 4 July, 2018.

During the year under review, Kshs.100,798,650 was budgeted and approved for the construction of the building but no funds were requisitioned from the Exchequer for the purpose. Further, there is no evidence that Management initiated the process of procuring a contractor for the works. In addition, available information indicated that the project works had since been suspended after a new site was chosen for its location.

Consequently, the County Assembly has not received value for money for the expenditure totalling Kshs.49,109,389 incurred on the project. Further, there is no indication that the project will be implemented soon in spite of the expenditure totalling Kshs.49,109,389 spent on its planning.

2.0. Irregular Staff Establishment and Recruitment

Review of the payroll for the month of June, 2019, revealed that the County Assembly had a staff establishment of ninety-eight (98) employees, out of whom eighty-six (86) or 87.75% were from the dominant community in the County. Further, during the year under review the County Assembly Service Board recruited six (6) new officers, all of whom

were from the dominant community. This was contrary to the requirements set out in Section B.7 of the County Public Services Human Resource Manual, 2013 and Section 65(1)(e) of the County Governments Act, 2012 both of which provide that 30% of new appointments in County Governments shall be made from minority communities in the County. No plausible explanation has been provided by Management for the irregularity.

3.0. Irregular Recovery of Basic Salary

Verification of a sample of documents presented for audit revealed that recoveries of advance salaries paid to several staff attached to Members of the County Assembly resulted in the staff receiving less than the minimum 1/3 of their basic salaries, This was contrary to the regulations contained in Section D.22 (i) and (ii) of the Uasin Gishu County Assembly Human Resource Manual.

This was evident in a review of September, 2018 payroll where twenty-one (21) members of staff earned less than a third of their salaries , as did six (6) others during the months of January, 2019 and April, 2019.

By allowing excessive salary deductions, Management breached the law and put the staff at risk of pecuniary embarrassment.

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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

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 Qualified Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Management of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that, nothing else 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 Information Communication Technology (ICT) Policy

As in the previous year, Management did not provide for audit review documentation to show that it had prepared an Information Technology Policy defining its priorities in

investment and use of ICT resources. Further, Management was yet to establish an ICT Steering Committee to guide and provide oversight over the use of the resources.

As a result, there was high risk of imprudent management of the County Assembly's ICT resources: The omission could result in uneconomic investments in ICT assets, as well as disruptions and loss of valuable data and information.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. 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 overall 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the County Assembly's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to dissolve the County Assembly or cease operations.

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 financial reporting process, reviewing the effectiveness of how the County Assembly 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 overall 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 overall 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 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 applicable 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

11 December, 2020