

# REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF BARINGO FOR THE YEAR ENDED 30 JUNE 2018

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## REPORT ON THE FINANCIAL STATEMENTS

### Qualified Opinion

I have audited the accompanying financial statements of County Executive of Baringo set out on pages 1 to 48, which comprise the statement of assets and liabilities as at 30 June 2018, 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 Executive of Baringo as at 30 June, 2018, and its financial performance and 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.

### Basis for Qualified Opinion

#### 1. Unreconciled Summary of Fixed Assets

The statement of receipts and payments for the year ended 30 June 2018 reflects expenditure on acquisition of assets of Kshs.860,627,061.25 which agrees with the additions of fixed assets shown under annex 5. However, the fixed asset register presented for audit verifications reflected additions of Kshs.116,730,301 as shown below:-

<b>Fixed Asset</b>	<b>Total (Kshs)</b>
ICT Assets	28,190,198.00
Furniture and Fittings	3,437,500.00
Land and Buildings	41,679,419.00
Motor vehicles and cycles	17,035,686.00
Office Equipment	16,478,498.00
Other Equipment	9,909,000.00
<b>Grand Total</b>	<b>116,730,301.00</b>

Although it has been explained the additions during the year included construction of buildings at various stages of completion and procurement of seeds for distribution to farmers hence the variance of Kshs.743,896,760.25, no records were produced for audit

verification to confirm the same. Therefore, the existence of assets worth Kshs.743,896,760.25 could not be confirmed.

So far no efforts appear to have been made to reconcile the two records.

## **2. Unreconciled Imprest Balances**

Note 22 to the financial statements reflects a balance of Kshs.3,527,642.75 as outstanding imprest as at 30 June 2018. However, examination of the imprest register disclosed a balance of Kshs.1,586,292 and hence an overstatement of the reported balance by Kshs.1,941,350.75. The variance between the two sets of records has not been explained or reconciled.

In the circumstances, the accuracy and completeness of the imprest balance of Kshs.3,527,642.75 reported in the statement of assets and liabilities could not be confirmed.

## **3. Inaccurate Bank Reconciliation Statement - No Account No1142790762**

Note 21 A reflects a balance of Kshs.2,824,197.42 in respect of Baringo County Revenue Collection Account number 1142790762 which differs with the reconciled cashbook balance of Kshs.2,839,497.42 by Kshs.15,300. The variance of Kshs.15,300 has not been explained or reconciled.

In the circumstances, the accuracy and completeness of the reported cash and cash equivalents balance of Kshs.1,606,988,158.55 in the statement of assets and liabilities could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Executive of Baringo 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(s) 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. Irregular Re-allocation of Development Funds to Recurrent Expenditure**

A sum of Kshs.102,550,000 meant for implementation of thirty-four (34) development projects in various departments was reallocated to recurrent expenditure during the period under review to cater for payment of salaries to medical staff. However, the

reallocation was done contrary to section 47 (1) (d) of Public Finance Management (County Government) Regulations, 2015 which states that , an Accounting Officer, may authorize reallocation of funds within programs or sub-votes provided that the reallocation does not affect the voted provisions from wage to non-wage expenditure or from capital to recurrent expenditure.

So far no explanation has been given for reallocation of development (Capital) funds to recurrent expenditure.

## **2. Over Expenditure - Purchase of Certified Seeds, Breeding Stock and Live Animals**

Note 17 to the financial statements reflects an expenditure of Kshs.19,103,742 was incurred in respect of Purchase of Certified Seeds, Breeding Stock and Live Animals during the year ended June 30 ,2018. However, the approved budget for the item was Kshs.8,103,173 and consequently an over expenditure of Kshs.11,000,569 was irregularly incurred. No explanation has been given for the over expenditure

## **3. Under Collection of Revenue - Single Business Permits**

The County Executive budgeted to collect Kshs.48,577,208 in respect of single business permit but only managed to collect Kshs.33,035,321 resulting into an under collection of Ksh.15,541,887.48 which is 32% shortfall. The basis on which the approved budgetary figure was based on was not provided and no evidence of communication from receiver of revenue to County Executive Member on any difficulty in collection. Although the management has cited some factors which contributed to under collection, no documentary evidence was provided for audit verification to support the explanation given.

## **4. Under Collection of Revenue - Other Property Income**

During the financial year 2017/2018, the County Executive budgeted to collect Kshs.2,700,000 and Kshs.2,400,000 respectively from Agricultural Training Centre (ATC) and Agricultural Machinery Services (AMS) both sub items fall under other property income item. However, examination of the revenue records revealed that only AMS income of Kshs.287,582 was reported under this category leaving out ATC income which was not disclosed or classified yet in the financial year 2016/2017 it was classified under the same category of revenue stream.

In addition, it was noted that AMS income reported during the year under review was far below the budgeted amount as only Kshs.287,582 was realized against a budget of Kshs.2,400,000 resulting to an under collection of Kshs.2,112,418. No explanation has been given for the under collection of Kshs.4,812,418.

## **5. Understated Pending Bills**

The annexure of pending bills attached to the financial statements under other important disclosures reflects pending bills of Kshs.80,724,222.20. These bills included development

expenditure of Kshs.5,953,582, recurrent expenditure of Kshs.25,676,792.06 and unremitted payroll deductions of Kshs.49,093,484.14. However, it was noted that pending bills on account of supply of medical supplies from Kenya Medical Supply Agency (KEMSA) of Kshs.51,856,750 and legal fees of Kshs.32,219,728 were excluded from the list of pending bills provided .Therefore, the disclosed pending bills were understated Kshs.84,076,478.

In the circumstances, the accuracy and completeness of the pending bills as at 30 June 2018 could not be confirmed.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matter(s) described in the Conclusion on Compliance 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 money has not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1.0 Revenue**

##### **1.1 Outstanding Revenue Arrears - Rents/Rates**

Examination of plot rents and land rates registers revealed that revenue amounting to Kshs.107,529,333 relating to current and prior years remained uncollected as at 30 June 2018. This was an increase of Kshs.14,700,776 from the balance reported in the previous year of Kshs.92,828,557 and thus accounting for the poor revenue collection performance under this category. It was however not clear why the County Executive was neither collecting the arrears nor issuing demand notices to plot owners to clear the outstanding amount.

No explanation has been provided for failure to collect the revenue or a report made by the receiver of revenue explaining the circumstances of the under collection as required by law.

##### **1.2 Outstanding Revenue Arrears - Single Business Permit**

The county executive reported Kshs.496,200 as arrears of revenue in respect of single business permits. It is not clear why for a period of twelve months, it was not possible to collect the permit fees or explained why appropriate methods to enforce collection as provided for under the Public Finance Management (County Governments) Regulations, 2015 were not adhered to. Although some factors which contributed to the under collection have been cited, no documentary evidence has been provided for audit verification.

### **1.3 Outstanding Revenue Arrears - Market Centre Fees**

During the year under review, the County Executive reported arrears of revenue of Kshs.1,818,929 in respect of Market/trade centre fee. The reported balance was made up of Kshs.1,279,129 and Kshs.539,800 for market stalls and bus park fees respectively at Eldama Ravine town.

No action appears to have been taken including using appropriate methods to enforce collection as provided for under the Public Finance Management (County Governments) Regulations, 2015 .

### **1.4 Outdated Valuation Roll - Rents/Rates**

It was observed that the County Executive has not updated the valuation roll and still uses a draft valuation roll of 2009 prepared by the defunct Municipal Council of Kabarnet. Failure to have an up dated and approved valuation roll translates to loss of revenue from this category due to use of an obsolete one.

No explanation has been given for failure to have an updated valuation roll.

## **2.0 Compensation of Employees - Bloated Wage Bill**

The statement of receipts and payments indicates the County Executive incurred an expenditure of Kshs.2,746,451,401.55 on compensation of employees during the year under review. Examination of the payrolls revealed that the County Executive had a workforce of 4013 personnel as at 30 June 2018 and analysis of wage bill revealed that the County Executive exceeded the set limit of thirty five percent (35%) of the County Government's total revenue of Kshs.5,772,775,748.16 contrary to section 25(1) (b) of Public Finance Management Act, 2012 (County Governments) Regulations, 2015. The wage bill was 48% of the total County Government revenue and no explanation was given for incurring an expenditure in excess of the set limit. In addition, there was no evidence that the County Executive Committee Member for Finance and Economic Planning had tabled a bill in the County Assembly to control the wage bill. It is therefore clear that no efforts have been made to check the wage bill.

## **3.0 Use of Goods and Services**

### **3.1 Irregular Procurement of Human Medicine at Inflated Prices**

The County Executive through the Ministry of health entered into framework contract for supply of human medicine and a total of seventeen (17) pharmaceutical firms were prequalified to supply various types of human medicine at predetermined prices.

However, analysis of price comparison schedule for the prequalified firms revealed an irregular pattern where the firms which quoted higher prices were issued with local purchase orders (LPOs) to supply various types of human medicine instead of those who quoted lowest prices. Consequently, the Ministry procured human medicine at a cost of Kshs.13,482,500 instead of Kshs.6,809,400 had the medicine been procured from lowest

bidders . The County Executive therefore lost Kshs.6,673,100 through this irregular procurement practices.

No explanation has been given for the malpractices noted

### **3.2 Irregular Reallocation of Funds - Foreign Travel and Subsistence**

An expenditure of Kshs.17,990,372 was incurred on foreign travel and subsistence during the year ended 30 June 2018. However, it was noted that Kshs.7,430,247 out of the total expenditure relates to domestic travel and therefore the expenditure was irregularly reallocated

No explanation has been proved for the irregular reallocation.

### **3.3 Unauthorized Reallocation - Training Expenses**

During the year ended 30 June 2018, Kshs.21,205,445 was budgeted for training expenses. However, examination of expenditure records disclosed actual expenditure of Kshs.19,159,253. Out of this amount, an expenditure of Kshs.7,020,703 was irregularly reallocated to other expenditure items.

No explanation has been given for the irregular reallocation.

### **3.4 Doubtful Expenditure - Routine Maintenance Other Assets**

A Nairobi based contractor was paid Kshs.2,067,017.17 through payment voucher No. 5014 dated 22 June 2018 in respect of supplying spare parts for Komatsu grader, GK A 561P as per invoice No 140700 and LPO No 2307355. Examination of folio 27 of the store ledger indicated the parts were received on 15 March 2018 and issued on 17 April 2018 to an officer. However, no issue voucher (S11) was produced for audit to confirm receipt of the items by the officer. Further, no Job Card was produced for audit verification to confirm the items issued from the store were fitted into the grader.

Physical verification carried out on 22 October 2018 at the Ministry of Transport and Infrastructure yard revealed that the grader was still grounded and non-functional despite the procurement of the spare parts.

In the circumstances, it was not possible to confirm the expenditure as a proper charge to public funds.

### **3.5 Irregular Procurement Practices**

During the 2017/2018 financial year, the County Executive through the Procurement Section floated 460 quotations for procurement of various items within the County. However, examination of the quotation register revealed that several quotations were not collected by the respective bidders but procurement of items worth Kshs.10,864,733 was carried out.

It was not clear how the procurement section obtained the documents of the bidders without delivering the quotations to the respective firms. It is therefore evident that there was no competitive bidding for the supplies.

No explanation has been provided for gross breach of the procurement procedures.

### **3.6 Irregular Expenditure – Routine Maintenance Vehicle and Other Transport Equipment**

An expenditure of Kshs.2,355,000 was incurred by the Ministry of Health in procurement of human drugs but the expenditure was charged on routine maintenance of motor vehicles contrary to section 50 (2) of the Public Finance Management (County Governments) Regulations 2015 which requires that expenditure commitments for goods and services be based on allocations and allotments from approved budgets. Although, the expenditure was charged on expenditure item 2211001 for medical drugs, the actual payment was charged on expenditure item 2220101 and no explanation has been given for the irregularity noted.

Further, it was observed that requisition order No 21304 of 7 November 2017 was raised by the county pharmacist but it was not supported by requisitions from the various health facilities indicating the drugs required from each. It was also noted that the requisition did not give particulars of the drugs required but instead gave a description of assorted meds.

Examination of the Local Purchase Order No. 3020706 dated 10 November 2017 for the supply of the drugs indicated that one pharmaceutical company supplied the drugs out of the twenty (20) other suppliers who were pre-qualified. However, the price analysis attached in support of the payment clearly shows the supplier was not the lowest on a number of the supplies made and it was therefore not clear why quotations were not floated to other suppliers.

So far no explanation has been given for the irregularities noted.

## **4.0 Value for Money - County Government Projects**

### **4.1 Delayed Implementation of Projects**

During the year ended 30 June 2018, the County Executive reported roll over projects of Kshs.1,722,578,585.93. However, the project status report for the same period reflected some projects which have been rolled over since financial year 2013/2014 and no explanation was provided for failure to complete them. Further, the current status of the projects whether in progress, stalled, abandoned or completed awaiting commissioning has not provided.

In addition, the reported figure of roll over projects of Kshs.1,722,578,585.93 was at variance with the computed figure of Kshs.1,792,248,926.11 by Kshs.69,670,340.18. The variance has neither been explained nor reconciled.

#### **4.2 Unsupported Expenditure - Construction of Buildings**

A Mogotio based contractor was awarded a contract for the supply of assorted seedlings, exotic trees and indigenous through quotation number BRCG/QTN/114/2017-2018. It was noted the seedlings were delivered as per un numbered delivery notes dated 22 and invoice dated 26 March 2018, to Eldama Ravine, Mogotio and Kabarnet Sub counties. Consequently, a payment of Kshs.1,950,000 was made to the supplier through payment voucher number D405 dated 13 April 2018. However, no store records were produced for audit verification to confirm delivery and issues to the beneficiaries and it was therefore not possible to ascertain whether the items paid for were supplied and taken on charge. Although distribution schedules were produced for audit, it was not possible to confirm the quantities delivered in the absence of store records.

In the circumstances, the propriety of the expenditure of Kshs.1,950,000 could not be confirmed.

#### **4.3 Incomplete Project - Kabarnet Stadium**

A contractor was awarded contract No; BRCG/C/116/2016-17 for rehabilitation of Kabarnet Stadium at a contract sum of Kshs.17,5000,000. The contract agreement was signed on 22 November 2017 and the commencement date was 1st December 2016 and the expected date of completion was 28 February 2017.

However, examination of expenditure records for the Ministry of Youth, Gender Sports and Culture revealed that the contractor had been paid Kshs.16,776,268 as at 30 June 2018 through payment voucher numbers 3416 for Kshs.9,012,040, 5849 for Kshs.4,681,760 and 43157 for Kshs.3,082,468 on the strength of Interim Payment Certificates number 1, 2, and 3 issued by the Ministry of Transport and Infrastructure .It was observed that, the payment made to the contractor of Kshs.3,082,468 on 23 February 2018 was made long after the expiry of the contract period and no documentary evidence was produced to confirm the contractor sought and was granted an extension of the contract period.

Physical verification of the project on 15 October 2018 revealed, the following unsatisfactory matters:

- i. The Stadium is incomplete despite the expiry of the contract period on 28 February 2018.
- ii. The contractor was not on site and no materials or workers were seen at the site as an indication of work in progress.
- iii. The bills of quantities provided for two goal posts works at a cost of Kshs.186,000 but none was seen at the site.



- iv. The storm water flows from town through the stadium and as a result, gullies have formed, some gabions have been washed away and two section of the perimeter wall on the lower side have been destroyed by the storm water. This is a clear indication the drainage system was not properly done although certified and paid for.

In addition, ownership documents for the land on which the stadium has been constructed were not produced for audit verification and it was therefore not possible to confirm the ownership of the land.

So far no efforts appear to have been made to complete the project and there is likelihood of the expenditure of Kshs.16,776,268 already incurred going to waste since the project appear abandoned.

#### **4.5 Stalled Projects - Eldama Ravine Milk Processing Plant**

A contractor was awarded contract No; BRCG/TNR/390/2015-16 for construction of a milk processing plant in Eldama Ravine at a contract sum of Kshs.19,671,680 .The commencement date was 15 July 2016 and the expected completion date was 30 November 2016. The objective of the project was to enhance milk production to the Baringo Agricultural Marketing Services Co-operative Society Members.

Records produced for audit indicates the works commenced as per the conditions of the contract and the project was done up to roofing level before the contractor pulled out of the site in April 2017. However, no information has been provided for audit to show the reason why the contractor abandoned the site. On 26 April 2018, the Department of Agriculture, Livestock and Fisheries terminated the contract vide letter Ref: BC/CDLP/DAIRY/VOL1/32 and the contractor was notified of the termination by the Ministry of Transport and Infrastructure department of public works through a letter Ref:CWO/BAR/QS/KC/2018/06/1 dated 21 June 2018. Consequently, a statement of payment on account was prepared quantifying the work done at the time of abandonment of the project at Kshs.9,822,340.

During the period under review, a payment of Kshs.3,195,920 was made to the contractor vide payment P.v. no. 43073 dated 23 February 2018 despite the expiry of the contract period on 30 November 2016 and abandonment of the site in April 2017. No explanation has been provided to justify the payment.

Physical verification of the project on 23 October 2018 revealed the following:

- i. The project has stalled and no activities were found to be on going at the site.
- ii. The statement of payment on account indicated materials on site valued at Kshs.170,000 including sand and cement but none was found during the physical verification at the site.

Although it has been explained the County Executive is in the process of inviting tenders to complete the remaining part of the project, no documentary evidence has been provided to confirm the procurement of works is in progress. Further, no explanation has been provided for payment of Kshs.3,195,920 in February 2018 despite the contractor having abandoned the site in April 2017.

In view of the above, no value for money has been achieved in the implementation of the project.

#### **4.6 Stalled Project - Barwesa Slaughter House**

A local contractor was awarded contract No; BRCG/TNR/170/2012-13 for construction of a Slaughter house at Barwessa, Baringo North Sub County at a contract sum of Kshs.27,890,668.80. The contract was signed on 7 April 2014 with commencement date of 7 April 2014 and the expected completion date of 7 December 2014. It was however noted that the project has not been completed three years and ten months after the expiry of the contract period. Further, no documentary evidence has been produced for audit to show the contractor had sought for an extension of the contract period and granted.

During the year under review, the contractor was paid Kshs.8,715,786 and in support of the payment was invoice no.044 dated 13 April 2017 and payment voucher no. D150 of 11 January 2018. The payment was made on the strength of statement of payment on account no.04 prepared by the Public Works Department quantifying the work done at Kshs.18,404,478.80 as at 8 December 2017. It was however not clear why Kshs.8,715,786 was paid to the contractor despite the expiry of the contract period or explained why contract has not been terminated for breach of the agreement. Physical verification of the project on 30 October 2018 revealed the contractor was not on site and the project had been abandoned.

As at 30 June 2018, the contractor had been paid a total of Kshs.18,404,478.80 out of the contract sum of Kshs.27,890,668.80 leaving a balance of Kshs.7,844,207.94

In the circumstances, the propriety of the expenditure could not be confirmed.

#### **4.7 Unsustainable Projects - Rosoga Irrigation Scheme**

A contractor was awarded contract No; BRCG/W&I/TNR/71/2016-17 for construction of conveyance for Rosoga Irrigation Scheme Phase II at a contract sum of Kshs.1,771,120. The contract agreement was signed on 2 May 2017 and the commencement date was 4 May 2017 while the expected date of completion was 22 June 2017. Examination of project records revealed that Practical Completion Certificate was issued on 20 March 2018 by the County Director of Water and the contractor submitted invoice No. 215 dated 8 May 2018 for payment.

Consequently, a sum of Kshs.1,659,240 was paid to the contractor vide department voucher no.249 dated 21 June 2018. However, physical verification of the project on 17 October 2018 revealed the following: -

- i. The project is not operational despite the works having been certified complete in March 2018 and paid for and therefore no value for money spent.
- ii. Cases of vandalism of the project works by the community was noted, a clear indication of lack of sensitization on the importance of the project or the project was not a priority to the community.
- iii. The reliance on piped water for irrigation can hardly sustain the irrigation scheme and the department of water should identify a reliable source of water.

In the circumstances, there is the risk of the project not achieving its intended benefits and consequently, waste of public funds.

#### **4.8 Doubtful Expenditure - Purchase of Certified Seeds, Breeding Stock and Live Animals**

The Department of Livestock and Fisheries paid a total of Kshs.4,000,000 to a supplier for supplying 8000 bales of hay vide payment voucher no.D009 of 17 October 2017. Examination of expenditure records revealed the following;

- i. The inspection and acceptance report was signed before delivery as the inspection and acceptance committee minutes are dated 9 June 2017 while counter receipt voucher is dated 15 June 2017.
- ii. According to the minutes of meeting held on 6 June 2017, the hay was supposed to be distributed as follows:-

<b>SNO</b>	<b>Sub County</b>	<b>Number of bales</b>
1	Eldama Ravine	750
2	Mogotio	1200
3	Baringo South	1800
4	Baringo North	1700
5	Baringo Central	850
6	Tiaty	1700
	<b>Total</b>	<b>8000</b>

However, no documentary evidence was provided to show the number of livestock farmers and animals owned by each prior to procurement and it was therefore not clear how the number of bales procured were determined. Although the list of quantities of hay received by the sub counties were produced for audit, it was not possible to confirm the hay was distributed to the intended beneficiaries in the absence of the list of farmers indicating the number of animals owned by each.

In the circumstances, the propriety of the expenditure could not be confirmed.

#### **4.9 Irregular Procurement and Unsupported Expenditure – Construction of Buildings**

An expenditure of Kshs.9,500,000 was incurred by the Department of Education and ICT in procurement of furniture for ECDE Centres within the county. The procurement was made from a Supplier who had been awarded a contract for the supply of furniture to ECDE Centres constructed in in the year 2014/2015 through tender number BRCG/TNR/70/2017-2018. The contract agreement was signed on 5 February 2018 for supply of sixty seven(67) units of tables and chairs at a contract sum of Kshs.5,000,000. The commencement date of the contract was 12 February 2018 and the completion date was 10 April 2018.

Examination of expenditure records disclosed chairs and tables were delivered as per un numbered delivery notes dated 6 April 2018 and 15 May 2018 and consequently, a payment of Kshs.5,000,000 was made to the supplier through payment voucher numbers D409 dated 11 April 2018 for Kshs.3,000,000 and D 554 of 17 May 2018 for Kshs.2,000,000. However, no store records were produced for audit to confirm delivery and issues to the schools and it was therefore not possible to ascertain whether the items paid for were supplied and taken on charge. It was also not explained why ECDE Centres constructed in the year 2014/2015 had not been supplied with furniture three (3) years after completion.

Further, it was noted that additional furniture worth Kshs.4,500,000 was irregularly procured from the same supplier using direct procurement method by revising the earlier contract sum from Kshs.5,000,000 to Ksh.9,500,000.00 instead of inviting refresh bids for the supply of furniture. The procurement of the additional furniture was done contrary to Section 104(b) of the Public Procurement and Assets Disposal Act, 2015 which provides that, the accounting officer in case of direct procurement should appoint an ad hoc evaluation committee pursuant to section 46 to negotiate with a person for the supply of goods, works or non-consultancy services being provided and ensure appropriate approvals under this Act have been granted. A new contract was signed on 9 May 2018 but the commencement date read 20 February 2018 while completion date read 20 June 2018. The supplier has since been paid Kshs.2,250,000 for supply of thirty units of tables and chairs to undisclosed ECDE Centres. The payment was made through payment voucher no D805 dated 21 June 2018 and interestingly, in support of the payment were un-numbered invoice and delivery note of the same date. The items were however not taken on charge in the store records and no issue vouchers were produced for audit to confirm who requisitioned and where the items were issued to.

In the circumstances, the propriety of the expenditure of Kshs.7,2250,000 could not be confirmed.

#### **4.10 Unaccounted for Expenditure - Gatarakwa Borehole**

M/s Raynard Enterprises Limited of P.O Box 2721 Eldoret, was awarded contract No; BRCG/W&I/TNR/88/2016-17 for drilling Gatarakwa, Kaprorwa and Kiptoim boreholes at a contract sum of Kshs.6,472,200. The contract agreement was signed on 3 August 2017

and the commencement date was 7 August 2017 and the expected date of completion was 25 September 2017. According to the bills of quantities, the drilling of the Gatarakwa bore hole was costing Kshs.1,620,560 comprising of Kshs.134,560 and Kshs.1,486,000 for preliminary works and drilling works respectively. Examination of project records revealed the works were completed on 11 December 2017 as per the supervision report issued on 28 December 2017 signed by the County Director of Water. However, examination of the Gatarakwa borehole report maintained at the Baringo South sub-county water office, revealed that the yield level of water was 0.9 cubic meters which was below the recommended yield level of above 10 cubic meters. Further, it was observed that there was no hydrogeological survey report provided to confirm preliminary survey was carried out before commencement of drilling works.

In the absence of hydrogeological survey report, it was not possible to confirm the expenditure of Kshs.1,620,560 incurred on the project as a proper charge to public funds.

#### **4.11 Lack of Land Ownership Document - Acquisition of Assets**

An expenditure of Kshs.400,000 was incurred in procurement of a parcel of land number Baringo/Ravine/102/71 measuring approximately 0.0920 H.a from Mr. Chelimo Changwony through payment voucher D019.

However, no ownership document (Title deed) was produced for audit verification despite the land having been procured on 29 November 2016. It was therefore not possible to confirm the procurement of the said land.

In the circumstances, the propriety of the expenditure of Kshs.400,000 could not be confirmed.

#### **4.12 Unaccounted for Expenditure - Solar Lamps**

The Ministry of Environment and Natural Resources procured 1,050 Sun-King solar lamps from an Eldoret based supplier, for distribution to candidates coming from poor families who were picked on a sample basis in areas not covered by the national electricity supply. The procurement was made through Local Purchase Order No.2856258 dated 24 January 2018 for the supply of 1,050 (No) Sun-King solar lamps. Examination of project records revealed that Kshs.1,962,807 was paid vide departmental payment voucher no D466 dated 3 May 2018 and in support of the payment was invoice No. 034 dated 6 April 2018.

However, no distribution list and acknowledgements documents from the beneficiaries were produced for audit examination and it was therefore not possible to confirm the lamps reached the intended students.

In the circumstances, the propriety of the expenditure could not be confirmed

#### **4.13 Irregular Expenditure – Construction of Buildings**

An expenditure of Kshs.2,045,500 was incurred by the Ministry of Environment and Natural Resources in the removal of water hyacinth in Lake Baringo, Kamnarok and a tour by water hyacinth management team to undisclosed Lake Victoria region. The expenditure was a surrender of imprest issued vide warrant no 2744390 and 2504173 of Kshs758,500 and1,287,000 respectively.

Examination of supporting documents attached to the surrender payment voucher No.D 445 disclosed the following unsatisfactory matters:

- i. The imprest requisition documents including the budget were not addressed to any particular officer and no approval had been given.
- ii. No records/documents were produced for audit verification to confirm how the expenditure of Kshs.2,045,500 was incurred.

In the circumstances, the propriety of the expenditure could not be confirmed.

#### **4.14 Unauthorized Variation of Contract – Construction of Buildings**

An engineering firm was awarded a contract for the construction, renovation and extension works at Lake Bogoria National Reserve and Landscaping at Acacia Campsite through contract number BRCG/TNR/DICTED/4/2016-2017 at a contract sum of Kshs.10,240,364.00. The contract agreement was signed on 27 March 2017 and the commencement date was 11 April 2017 with the expected completion date of 14 June 2017. However, the following unsatisfactory matters were noted:-

- i) The contract was extended beyond the expected completion date of 14 June 2017 without formal contract extension approval contrary to section 139(1)(a) of the Public Procurement and Asset Disposal Act,2015 which provides that variation or amendment with justifications be approved in writing by the respective tender awarding authority based on recommendation of evaluation committee.
- ii) Included in the contract sum of Kshs.10,240,364.00 was an amount of Kshs.2,947,150 in respect of Acacia Campsite Landscaping, it was however noted that no activity took place at the proposed campsite. Instead, the funds meant for the project were said to have been diverted to renovate the Main Gate Office at the Park but no documentary evidence was provided for audit verification to confirm how the amount was spent.

Examination of project records disclosed the contractor had been paid Kshs.Kshs.9,866,968.36 as at 30 June 2018, through payment voucher numbers D273 dated 28 February 2018 for Kshs.5,144,625.00 and D 605 of 14 June 2018 for Kshs.4,722,342. A site visit on 6 November 2018 disclosed the contractor was not on site and no completion certificate had been issued confirm the completion of the project.

So far no explanation has been given for the variation of the contract or documents provided for verification to confirm how Kshs.2,947,150 meant landscaping at Acacia Campsite was spent.

#### **4.15 Stalled Project - Erection and Completion of Casualty Block at Marigat Hospital**

A contractor was awarded tender ref: BRCG/TNR/160/2014-2015 for construction of the proposed Casualty Block at Marigat Hospital at a contract sum of Kshs.20,401,685. The scope of works involved erection and completion of an office block including floor slab, walling, ceiling and roofing, plastering and installation of doors and windows, electrical works and plumbing works. The works were to take 16 weeks commencing 8 June 2015 and the expected date of completion was 8 October 2015.

Physical verification of the project on 6 November 2018 revealed that the contractor was not on site and the works had apparently stalled. It was also observed that the contract was behind schedule by 38 months. Notwithstanding the above mentioned state of affairs, examination of financial records disclosed the contractor had been paid Kshs.12,046,752 out of the contract sum of Kshs.20,401,685.

So far it has not been explained why a project started in year 2015 has not been completed despite the expiry of the contract period in October 2015.

#### **4.16 Incomplete Project - Mortuary Block Marigat Hospital**

A building company was awarded tender ref: BRCG/TNR/401/2014-2015 to construct and complete Mortuary Block at Marigat Sub- county Hospital. The scope of works included Substructures, R.E Frame, walling, roofing, windows, doors finishes fitting and electrical works at a contract Sum of Kshs.6,727,704 The duration of the contract was 24 weeks commencing 2 October 2015 to 2 March 2016.

It was observed that, during the year 2016/2017, a total of Kshs.1,428,632 was paid to the contractor. However, physical verification of the project on 6 November 2018, revealed that the construction works had been done up to lintel level or approximately 35% complete although the contract period had elapsed by over 32 months.

No action appears to have been taken by the county executive to have the project completed or explained why the contract has not been terminated

#### **4.17 Stalled Project - Ministry of Health**

Examination of the project implementation status report for the department of Health revealed that projects worth Kshs.327,596,835 some initiated since financial year 2013/2014 had not been completed as at 30 June 2018. It's not clear why the county executive has failed to complete the projects or terminate the contracts entered into with the various contracts and invite fresh bids to complete the remaining works. Failure to complete the projects denies the residents of Baringo County the much needed medical services despite the heavy investment on the facilities.

No explanation has been provided for failure to complete the projects.

#### **4.18 Unsustainable Road Maintenance - Kipngorom - Sirwa road**

During the financial year 2016/2017, the County Executive entered into a contract with a construction company, through contract no.BRCG/TNR/277/2016-2017 for maintenance of Kipngorom -Sirwa road in Baringo South Sub-County at a contract sum of Kshs.4,126,033. Examination of the project expenditure records disclosed the contractor was paid Kshs.3,787,957.61 vide payment voucher no.D293 of 14 March 2018 after having carried out maintenance of the road.

However, physical verification of the project on 6 November 2018 revealed the state of the road was poor with potholes covering the entire section of the road that had been repaired from Kipngorom to Sirwa which is a distance of 13Km.

It was noted that the road was previously maintained by KERRA (Kenya Rural Roads Authority) before it was taken over by the County government and it appears the county executive is unable to restore the road to motorable condition. Therefore, the sustainability of the maintenance of the road is doubtful.

#### **4.19 Failure to Implement Projects**

The department of Transport and Infrastructure budgeted to construct one hundred and two (102) road projects, four (4) flagship projects and eight three (83) roll over projects from the prior years during the year under review. It was noted that twenty four (24) projects with a contract sum of Kshs.63,393,376 were completed, eight seven (87) projects worth Kshs.184,355,902.21 were on-going which included eight (8) roll over projects of Kshs.11,367,079.40. However, it was noted that eight (8) projects with a value of Kshs.22,165,655.96 had not been started as at 30 June 2018.

No explanation has been provided for failure to complete the projects or explained why the county executive budgeted for projects it could not implement during the year.

#### **5.0 Unremitted Statutory Deductions**

Included in the pending bills for the year ended 30 June 2018 are statutory deductions totaling Kshs.49,093,848.14. The deductions were made up of Lap Trust, Lap Fund, Sacco loans, and Insurance premium payments for various Insurance companies, Sacco Share contributions, HELB, Training Levy and other union dues to various Unions.

However, no explanation was given for failure to remit the deductions to the various bodies.

Failure to remit the deductions to the respective bodies may attract penalties and litigations which may be costly to the County Executive.

No efforts appear to have been made to remit the outstanding remittances.

#### **6.0 IFMIS Payment Details Analysis**



Data analysis of IFMIS payment details for the year ended 30 June 2018 revealed prepayments totaling Kshs.8,032,438. It was however not clear why these prepayments were made in total disregard of Section 83 (1) of the Public Finance Management Act, 2012 ( County Governments) regulations 2015, which states that, the County Treasury is responsible for establishing sound cash management systems, procedures and processes, to ensure efficient and effective banking and cash management practices.

Further, Section (2) (d) states that sound cash management includes avoiding prepayments for goods or services unless required by the contractual arrangements with the suppliers.

No explanation has been provided for the prepayments made in total disregard of the prevailing regulations.

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 procedures performed, except for the matter(s) described in the 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**

#### **1. Internal Control weaknesses**

During the audit of financial year 2017/2018, the County Executive had not performed formal risk assessments on all key financial risk areas such as expenditure, fraud etc as no risk management policy was in place. This implies that the management is not in a position to identify individual risks, significance / likelihood of identified risks and the risky areas. Further, the management lacks an IT Strategic Committee to provide advice on ICT investment priorities, mobilization of resources, ICT strategies, policies and standards. It was also noted no Environmental Controls - Fire suppression systems was in place at the County Treasury where vital financial records are kept.

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.

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 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 review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the

compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review 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 Baringo County Executive 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 Executive of Baringo ability to continue as a going concern or 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 Executive of Baringo to cease to continue as a going concern or 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 Executive of Baringo 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**

**04 February 2019**