

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF BUNGOMA FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the County Executive of Bungoma set out on pages 1 to 70, 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: recurrent and development combined 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 paragraph, the financial statements present fairly, in all material respects financial position of County Executive of Bungoma as at 30 June 2017 and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Cash Basis) and the Public Finance Management Act, 2012.

Further, as required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Receipts

1.1. Long Outstanding Un-Collected Land Rates

Included in other receipts in the statement of receipts and payments of Kshs.491,095,743 is land rates of Kshs.27,837,258. Scrutiny of records availed revealed that the County had long outstanding un-collected land rates arrears brought forward from the defunct local authorities to the tune of Kshs.133,284,123 as at 30 June 2017 as summarized below:

	Sub-County	Arrears in Principal Kshs.

1	Kanduyi	60,827,647
2	Sirisia	2,119,669
3	Bumula	2,268,857
4	Tongaren	2,194,903
5	Kabuchai	5,592,483
6	Kimilili	4,069,640
7	Webuye	55,560,574
8	Mt,Elgon	650,350
	Grand Total	133,284,123

Furthermore, the accrued penalties and interest could not be accurately determined.

1.2. Uncollected Rent Arrears

Included in other receipts of Kshs.491,095,743 is rent of Kshs.1,456,931 which however amounted to Kshs.6,945,150 as per rent collection system of the County arising from public houses. This is largely because the County does not have a structured arrangement of regularly billing the occupants as the inventory of all the houses within the County together with its tenant information are not updated. The analysis below shows the collections from the system.

Entity	Amount Kshs.
Defunct Local Authorities	865,650
National Government	6,079,500
Total	6,945,150

Consequently, non-collection of all due revenue may have denied the County Executive necessary funds for service delivery to the residents of the County.

2. Compensation of Employees

Included in the compensation of employees of Kshs.3,174,351,674 are costs related to recruitment of 77 senior staff, 316 enforcement officers and 303 vocational educational and technical instructors as shown in below.

Designation	No of Employees	Job Group
County Director Culture	1	R
County Director Gender	1	R
Estate Management Assistant	2	H

Estate Management Officer	2	K
KRCHN I (Critical Care Nursing)	2	K
KRCHN III	50	M
Medical Specialist I (Radiologist)	1	H
Medical Lab Technologist III	15	Q
Medical Eng' Technologist	2	H
RCO (Critical Care Nursing)	1	K
Grand Total	77	
Designation	No of Employees	Job Group
Enforcement Officers	316	D
V. Edu. & T Inst. Iii	157	H
V.Edu. & T Inst. IV	146	G
Grand Total	619	

However, the score sheets to show the basis for recruitment were not availed for audit verification. The Management further promoted another 77 employees as highlighted in Appendix II but did not provide interview score sheets. Further, there was no staff establishment to validate these recruitments and promotions.

Consequently, without transparency in recruitment and promotion of employees, the validity of compensation of employees figure of Kshs.3,174,351,654 could not be ascertained.

3. Use of Goods and Services

3.1. Direct Procurement of Supply Uniforms and Choir Equipment

Included in use of goods and services of Kshs.1,978,227,461 is Kshs.3,747,681 in respect of supply of uniforms and choir equipment for KICOSCA games awarded to a local firm and fully paid for.

However, review of procurement records revealed that the sourcing of the supplier was done through direct procurement hence contravenes Section 103(2) of the Public Procurement and Assets Disposal Act, 2015.

3.2. Irregular Leasing of Office Rent

Included in rental of produced assets of Kshs.14,233,432 is Kshs.1,107,000 paid to a land lord for 9 months. However, further examination of the records revealed that the Department of Education paid Kshs.123,250 per month against the previously agreed lease rate of Kshs.69,700. The lease agreement indicating the monthly rent increment was not however availed for audit review to justify increased monthly rate of Kshs.53,550.

In the circumstances, the Executive may have not realized value for money in the lease of the property and subsequently loss of public funds.

3.3. Garbage Collection within the County

Included in the specialized materials and services figure of Kshs.321,840,762 is Kshs.60,415,660 in respect of contract with a local firm for garbage collection services. However, it was noted that the department did not have budget allocation for such services and the procedure for re-allocation of funds from other votes as analyzed below was not supported.

Date	PV No.	Re-allocated From	Re-allocated To	Payee	Amount (Kshs)
20.12.2016	14	Refurbishment of Non-Residential Buildings	Garbage Collection	Evable Building and Construction Ltd	7,296,647
13.10.2016		Other Infrastructure and Civil works	Garbage Collection	Evable Building and Construction Ltd	15,716,360
18.11.2016	15	Other Infrastructure and Civil works	Garbage Collection	Evable Building and Construction Ltd	4,807,759
20.12.2016	104/0002	Acquisition of Assets	Garbage Collection	Evable Building and Construction Ltd	5,091,265
31.05.2017	39T	Contracted Guards and Cleaning Services	Garbage Collection	Evable Building and Construction Ltd	27,503,630
					60,415,660

In view of the foregoing, the County did not adhere to approved budget by the Assembly as required in the Public Finance and Management Act, 2012.

3.4. Training of County Public Service Board Members

Included in the training expenses figure of Kshs.201,329,557 is Kshs.5,919,130 being facilitation fees and per diem for eight (8) members of the County Service

Board who attended training organized by the East and South Africa Management Institute (ESAMI) in Uganda. However, no explanation was given for not taking the same training locally at the Kenya School of Government.

In the circumstances, the value for money from this training amounting to Kshs.5,919,130 may not be achieved.

4. Other Grants and Transfers

4.1. Irregular Leasing of Office Rental Space

Included in other capital grants and transfers figure of Kshs.1,196,410,854 is Kshs.116,661,300 in respect of lease rental fees paid to a local company for lease of five (5) storey building for five years starting 1 July 2017 to 30 June 2022. However, physical verification of the premises revealed that the building is occupied only from ground floor up to 1st floor, leaving the 2nd to 5th floors unoccupied.

4.2. Unsupported Returns in the Bursary Fund

Included in other grants and transfers of Kshs.1,474,044,786 is scholarships and other educational benefits of Kshs.180,000,000 which the Ministry of Education disbursed Kshs.4,00,000 to each of the 45 wards during the year. However, sample audit verification of 10 wards revealed that funds amounting to Kshs.2,619,243 as shown could not be properly accounted for as the returns from the institutions that received the funds were not availed for audit verification thus raising concerns on the overall implementation of the bursary programme.

4.3. Women, Youth, Disability Funds and Ward Trade Development Loans Fund

4.3.1. Internal Borrowing from the Funds

The Ministry of Gender and Youth borrowed a total of Kshs.6,409,278 from the Bungoma County Women Empowerment Fund while the Ministry of Education also borrowed a total of Kshs.6,615,230 from the Bungoma County Youth Empowerment Fund. Despite the fact that they were refunded, borrowing ought not to be diverted for non-fund use and hence this was an irregular borrowing.

4.3.2. Non-sustainability of the Funds

The four Funds earned total net interest of Kshs.1,355,241 while they incurred total administrative expenditure of Kshs.12,158,618. The expenditure exceeded the net interest earned hence utilizing an amount of Kshs.10,803,377 from the principal amount thus all the funds were operating on deficits as shown below.

Details	Bucoyef (Kshs)	Bucowef (Kshs)	Bucodef (Kshs)	Trade Fund (Kshs)	Total (Kshs)
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Income	-	5,000	28,828	1,321,413	1,355,241
Operating Expenses	3,422,240	4,267,013	1,214,000	3,255,365	12,158,618
Deficit	(3,422,240)	(4,262,013)	(1,185,172)	(1,933,952)	(10,803,377)

4.3.3. Long Outstanding Loans

The total long outstanding loans of Kshs.29,337,069 as per the table below for the Bungoma County Youth Empowerment Fund, Bungoma Women Empowerment Fund and Bungoma Disability Empowerment Fund are past the recovery date with a likelihood of high default rate.

	Bucoyef	Bucowef	Bucodef	Total
	(Kshs)	(Kshs)	(Kshs)	(Kshs)
Outstanding Loans	15,368,531	8,244,993	5,723,545	29,337,069

4.3.4. Non-Funding of the Budget during the year

Four Funds (as shown below) under the County had budgeted to receive to Kshs.93,000,000 during the year to increase their portfolio. However, the County Executive did not transfer money as budgeted hence the Funds could not meet their projected objectives for the year under review.

S/No	Items	Allocations (Kshs)
1	Women Fund	25,000,000
2	Youth Fund	20,000,000
3	PWDs Fund	18,000,000
4	Trade Fund	30,000,000
Total		93,000,000

4.3.5. Non-Compliance with Revolving Fund Principals

The Funds received a total of Kshs.168,513,256 from the County Executive since inception of the Funds in the year 2014-2015. The revolving fund principles requires

Fund balances to be equal to the initial funds disbursed or increase in value. However, this was not the case as at 30 June 2017. Further, it was noted from the reconciliation procedure performed that the Funds may not sustain themselves as going concern as analyzed below.

Items	Bucowef (Kshs)	Bucoyef (Kshs)	Bucodef (Kshs)	Trade Fund (Kshs)	Total (Kshs)
Funds disbursed since Inception of the Fund	23,750,000	23,400,000	7,535,256	113,828,000	168,513,256
Bank balance	2,025,827	1,139,690	319,871	2,605,967	6,091,355
Outstanding loans	13,651,820	9,447,710	4,740,585	97,436,460	125,276,575
Outstanding Imprest	-	422,050	286,000	-	708,050
Totals	15,677,647	11,009,450	5,346,456	100,042,427	132,075,980
Deficit in the fund account not recoverable.	(8,072,353)	(12,390,550)	(2,188,800)	(13,785,573)	(36,437,276)

Consequently, the sustainability of the Funds to continue offering services as Revolving Funds is in doubt.

5. Acquisition of Assets

5.1. Fixed Assets Register

A review of the fixed assets register being developed by the County Executive availed for audit review showed that various ministries were still verifying their data and information for full approval and adoption. Further, the assets inherited from the defunct local authorities and the National Government were also being verified for completeness and accuracy. It was however noted that the Land Registration (L/R) number for most of land and buildings had not been comprehensively indicated and completed.

In the absence of a complete and verifiable register, it was not possible to confirm the completeness and accuracy of assets belonging to the County Executive.

5.2. Integrated Short Text Message System not Functioning

Included in the acquisition of assets figure of Kshs.1,394,689,685 is Kshs.4,988,000 awarded to a local contractor in respect of supply of integrated short text message system and fully paid for. The system was handed over on 13 October 2015 but was not functional at the time of the audit in December 2017 and there was no indication that it will be in use any time soon.

In the circumstances, the value for money in relation to sourcing and usage of this short text message system amounting to Kshs.4,988,000 may not have been achieved.

5.3. Rehabilitation of Akola Dam

Included in the acquisition of assets figure of Kshs.1,394,689,685 is Kshs.297,643,681 for overhaul and refurbishment of Akola dam which in turn includes Kshs.2,699,550 awarded to a local contractor. However, audit inspection conducted on the project on 10 January 2018 revealed that the project was completed in March 2017 but the cattle watering point, sanitary facilities and community watering place were non-functional. In addition, the fence which was erected had been vandalized.

In view of the above, the public may not have obtained value for money from the project costing Kshs.2,669,550.

5.4. Upgrading of Misikhu -Naitiri -Brigadier Road

During the year under review, a contract of Kshs.1,115,939,198 was awarded to a local company for the construction of Misikhu-Naitiri-Brigadier road with the agreement providing for contract period of 24 months effective 19 December 2016 to 19 December 2018. However, records availed for audit indicate that the National Government was expected to give a conditional grant of Kshs.500,000,000 towards the construction of the road which was not done. The contractor has since been paid a total of Kshs.217,630,234 by the County Executive for the work in progress at 20% completion but has already left the site.

Consequently, if the County has to depend on its annual allocation, there is a high possibility that the project may stall midway and hence value for money and timely delivery of services for such a huge project may not have been obtained.

5.5. Upgrading of Marell- Namuyemba Road

Included in the construction of roads and bridges of amount of Kshs.644,161,318 is Kshs.73,020,631 awarded to a local contractor for construction of Marell-Namuyemba Road. During the year under review, a total of Kshs.59,661,352 was paid to the contractor. However, audit verification conducted on January 2018 on progress of the project indicated slow progress of work since the actual works begun on 16 January 2017 with completion date fixed for 16 November 2017. In addition, the road had not been fully completed and had not been handed over, two (2) months after the end of the contract period and the contractor was not on site.

In the circumstances, the residents of the County may not have obtained the much needed services arising from this road project.

5.6. Construction of Perimeter Fence at Bungoma County Referral Hospital

Included in acquisition of assets figure of Kshs.1,394,689,685 is Kshs.297,643,681 for overall and refurbishment of construction of civil works which in turn includes Kshs.53,294,758 awarded to a local contractor for construction of perimeter fence at Bungoma County Referral Hospital and as at 30 June 2017, the contractor had been paid Kshs.32,463,110. However, physical verification conducted on the project established that the project was not complete yet the completion date had elapsed on 31 May 2017 and had not been extended officially.

In the circumstances, value for money on this project may not have been obtained.

5.7. Purchase and Distribution of Tree Seedlings

Included in the purchase of certified seeds, breeding stock and live animals figure of Kshs.68,393,000 is Kshs.3,190,000 in respect of purchase of seedlings for distribution to farmers. However, no schedule of beneficiaries was availed for verification hence usage and equitable distribution could not be confirmed.

5.8. Chicken Slaughter House Not Working

Included in the acquisition of assets figure of Kshs.1,394,689,685 is Kshs.35,563,009 in respect of capacity enhancement and completion of a chicken slaughter at Chwele with a capacity of 1000 chicken per day. However, audit inspection of the project showed that the project is not functional despite being complete, casting doubts on feasibility studies having been conducted.

In the circumstances, the public may not have obtained value for money from this project.

5.9. Mt. Elgon High Altitude Training Center

Included in the acquisition of assets figure of Kshs.1,394,689,685 is payment of Kshs.33,758,718 in respect of construction works awarded to a local contractor to complete a high altitude training center at Mt.Elgon. However, it was noted that prior to this contract, another local contractor had been contracted for the same and paid Kshs.14,591,659 leaving an outstanding balance of Kshs.31,050,501 causing a variation of Kshs.2,708,217 between the new and old contract. Physical verification of the project revealed that the project is not functional despite the huge investment amounting to Kshs.48,350,377 spanning for over 4 years since inception of the project.

In the circumstances, the project may not have achieved value for money.

5.10. Outsourcing for the Installation of Network and Communications System

Included in the acquisition of assets of Kshs.1,394,689,685 is Kshs.7,664,735 being the cost of material and labor charges paid to a local contractor for the supply, delivery, installation, testing and commissioning of a networking equipment. However, it was not clear why this service was outsourced yet the County Executive has a fully-fledged ICT Department with twenty six (26) qualified personnel that could have carried out the project thus saving on labor cost worth Kshs.1,768,785 which was factored in the contract.

Had the County used its own ICT staff to provide the service, they could have saved Kshs.1,786,785 .

6. Accounts Payables-Deposits and Retention

Included in the statement of assets and liabilities under Note 15 is accounts payables-deposits and retention with a balance of Kshs.179,175,277 which should be held in a separate bank account. However, the Central Bank of Kenya Account designated to hold retention funds had a balance of Kshs.100,780,813 for Bungoma Executive retention Fund resulting into unreconciled deficit of Kshs.78,394,464 which ought to be transferred back from the Central Bank of Kenya: Development Account.

Consequently, the accuracy and completeness of the retention account could not be confirmed as required by Section 119(5) of the Public Finance Management Act, 2012.

7. Accounts Receivables – Outstanding Imprests

The statement of assets and liabilities reflects under Note 14 a figure relating to imprests of Kshs.12,319,511 which was still outstanding and had not been recovered from some of the officers as at the time of audit. Further, the imprest register had not been updated and hence cannot be relied on.

In the circumstances, the accuracy and validity of the outstanding imprests balance of Kshs.12,319,511 as at 30 June 2017 could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Bugoma Executive 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 judgement are of most significance in the audit of the financial statements. Except for the matters described

in the Basis for Qualified Opinion and Other Matter sections of my report, I have determined that there are no Key Audit Matters to report.

Other Matter

1. Budgetary Performance and Control

1.1. Overall Budget Performance

During the year under review, the Executive budgeted for Kshs.10,469,990,770 consisting of recurrent allocation of 6,685,754,930 (64%) and development allocation of Kshs.3,784,235,840 (36%). The actual expenditure amounted to Kshs.9,293,248,977 consisting of Kshs.6,413,291,049 (69%) and Kshs.2,879,957,928 (31%) on recurrent and development expenditure respectively resulting to a budget absorption of 96% on recurrent expenditure and 76% on development expenditure as highlighted below:

Item	Budget Allocation 2015/2016 (Kshs)	Budgeted	Actual Expenditure 2015/2016 (Kshs)	Actual	Absorption Rate
Recurrent Expenditure	6,685,754,930	64%	6,413,291,049	69%	96%
Development Expenditure	3,784,235,840	36%	2,879,957,928	31%	76%
Total	10,469,990,770	100%	9,293,248,977	100%	89%

1.2. Detailed Budget Variance Analysis

There were instances where the budget was either over/under spent by more than +10% or -10%. Some expenditure lines of the Executive were not done according to approved line allocations while others were not budgeted for at all.

In addition, the compensation to employees cost surpassed the required threshold of 35% to 40% representing an additional increase of employee costs vis a vis the budget by Kshs.407,146,687 which is irregular.

1.3. Expenditure Analysis Per Departments

Further, analysis of various ministries and departments shows that finance and planning departments had the highest overall absorption rate of 95% while housing

and sanitation had the least overall absorption rate at 43% and the gender and culture had the least development absorption rate at 7%. This is as analyzed below;

Ministry /Department	Budgeted Allocations		Actual Expenditure.		Absorption rate		
	Recurrent (Kshs)	Development (Kshs)	Recurrent (Kshs)	Development (Kshs)	Rec	Dev	Over all
Agriculture, Livestock, Fisheries And Co-Operative Development	415,061,671	284,910,412	360,111,584	254,158,970	87%	89%	88%
Education, Youth and sports	535,650,428	113,600,744	551,207,373	40,417,389	100%	36%	91%
Finance and Planning	1,260,966,759	1,222,772,105	1,253,368,442	1,103,083,139	99%	90%	95%
Gender, Culture,	91,911,731	62,566,419	78,481,294	4,283,510	85%	7%	54%
Health	2,221,724,686	190,930,541	2,153,454,901	138,434,666	97%	73%	95%
Housing and Sanitation	45,243,644	79,054,020	32,343,945	21,265,083	71%	27%	43%
Lands, Urban and Physical Planning	94,681,326	163,422,540	55,844,364	107,376,844	59%	66%	63%
Roads and Public works	135,824,304	1,094,989,237	119,386,317	829,481,683	88%	76%	77%
Tourism, Water and Natural resource	97,607,592	249,152,221	91,236,488	151,877,707	93%	61%	70%
Trade, energy and industrialization	71,055,614	111,977,697	62,124,897	101,986,436	87%	91%	90%
County Assembly	838,405,023	146,923,254	838,405,023	88,000,000	100%	60%	94%
Public and Sub County Administration	384,076,387	352,316,387	391,886,290	352,316,387	92%	90%	91%
Governor's and	394,041,818	352,661,176	430,962,555	352,661,176	89%	-78%	83%

Dep Governor's Office							
County Secretary	51,800,000	21,682,792	39,588,727	7,664,735	76%	35%	64%
County Public Service	47,703,947	-	45,683,184	-	96%	0%	96%
Totals	6,685,754,930	3,784,235,840	6,413,291,049	2,879,957,928	96%	76%	89%
%	64%	36%	69%	31%			

2. Revenue Analysis and Collections

2.1. Under-collection of Local Revenue

During the year under review, the Executive targeted to collect total revenue of Kshs.731,986,720 comprising of local revenue of Kshs.499,668,162 and further raise appropriations-in-aid (A.I.A) of Kshs.232,228,558. However, the actual collections amounted to Kshs.304,535,276 and Kshs.205,103,497 of local revenue and A.I.A respectively resulting to a deficit of Kshs.195,132,886 (-39%) and 27,215,061 (-19%).

2.2. Under -collection of AIA Revenues-Kshs.12,497,963

The Ministries of Lands Urban and Physical Planning, Education, Science and ICT and Housing and Sanitation failed to collect any of its projected A.I.A of Kshs.5,711,653, Kshs.640,090 and Kshs.6,146,220 respectively resulting to loss of revenue during the year under review.

3. Project Implementation Performance for the year

The Executive was to implement a total of 147 projects/programmes by different sectors during the year as shown below. However, analysis of projects indicates that 28 of these projects had not started, 49 were on going and 70 had been completed as at the time of audit in December 2017 as shown below;

	Budgeted Allocations		Actual/Implemented Projects
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Ministry/Department	Recurrent (Kshs)	Development (Kshs)	Budgeted projects/ programmes	Not Started	On-going	Completed	% of completed projects
Agriculture, Livestock, Fisheries And Co-operative Development	415,061,671	284,910,412	12	-	3	9	75%
Education, Youth and sports	535,650,428	113,600,744	10	-	3	7	70%
Finance and Planning	1,260,966,759	1,222,772,105	5		4	1	20%
Gender, Culture,	91,911,731	62,566,419	1	-	-	1	100%
Health	2,221,724,686	190,930,541	10	-	5	5	50%
Housing and Sanitation	45,243,644	79,054,020	29	2	9	18	62%
Lands, Urban and Physical Planning	94,681,326	163,422,540	13	-	1	12	92%
Roads and Public works	135,824,304	1,094,989,237	35	20	10	5	14%
Tourism and Environment	97,607,592	249,152,221	2		1	1	50%
Water and Natural Resources			13	4	6	3	23%
Trade, Energy and industrialization	71,055,614	111,977,697	6		4	2	33%
Public Administration	352,316,387	42,253,858	10	2	3	5	50%
County Secretary	51,800,000	21,682,792	1	-	-	1	100%
Totals	5,373,844,141	3,637,312,586	147	28	49	70	46%
% Implementation				21%	34%	46%	

In view of the above, the Executive may not have achieved its targets and service delivery may not have been obtained by the residents of the County.

3. Implementation of the County Integrated Development Plan 2013-2017

The County Integrated Development Plan for 2013-2017 main mission was to create, nature and sustain an enabling environment for quality and adequate service delivery, sustainable development and prosperity of all communities in the County through implementation of various goals. The progress made and results attained have been captured sector by sector as indicated in the foregoing analysis highlighted below;

Department	Projects/Programmes	Performance against CIDP
Public and Sub County Administration	Construction of ward offices	Partially Completed
	Erection of perimeter wall at County HQ	Completed
	Policy Formulation and Implementation	Partially Completed
Lands, Urban and Physical Planning	Street lighting	Partially Completed
	Preparation of development plans	Awaiting Assembly adoption
	Preparation of valuation rolls	Awaiting Assembly adoption
	Purchase of land	Purchased and awaiting Fund for development
	Rehabilitation of auction rings	Partially Completed
Agriculture, Livestock, Fisheries And Co-Operative Development	Rehabilitation of dams	Partially Completed
	Supply of dairy cows	Achieved
	Supply of agriculture inputs	Achieved
	Other construction works	Substantial Completed
	Policy Formulation and Implementation	Partially Completed
Trade, energy and industrialization	Construction of Jua kali sheds	Substantially Completed
	Construction of high flood masts	Substantially Completed
	Erection of solar street lights	Substantially Completed
	Policy Formulation and Implementation	Partially Completed
Roads and Public Works	Road works	Substantial Completed
	Supply of equipment and machineries	Achieved
	Construction of fire station complex	95% Complete
Tourism, Water and Natural	Protection of water springs	Achieved
	Construction of water springs	Achieved

resource	Drilling of boreholes	Partially Achieved
	Construction of water kiosks	Achieved
	Construction of roof catchments	Achieved
	Construction of masonry tanks	Achieved
	Construction of shallow wells	Achieved
	Policy Formulation and Implementation	Partially Achieved
Education, Youth and sports	Construction of ECD classrooms and pit latrines	Substantial Completed
	Construction of Sports facilities	Partially Achieved
	Policy Formulation and Implementation	Partially Achieved
Health	Supply of medical equipment	Partially Achieved
	Construction and renovation of health facilities	Partially Achieved
	Supply of Drug	Partially Achieved
Gender and Culture	Construction of Sudi Namachanja mausoleum	Achieved
	Renovation of Sangalo cultural center	Achieved
	Completion of Elijah Wanameme mausoleum	Achieved
Housing and Sanitation	Construction of public toilets	Partially Achieved
	Renovation of county houses	Achieved
	Perimeter fencing of county houses	Achieved
	Policy Formulation and Implementation	None

In view of the forgoing, the Executive substantially achieved most of the goals despite the many challenges in devolution and putting up of systems and structures. However policy formulation and Implementation which is key in managing the county resources was partially achieved

4. Insurance of County Assets

A review of insurance records revealed that the County paid for insurance by various Ministries and Departments amounting to a total of Kshs.20,600,371 to insure its assets as analyzed below.

Department	Amount (Kshs)
Agriculture	4,950,968.00
Education	886,915.50
Finance	1,637,403.00
Gender	417,241.40
Governors	904,130.00
Governors-Deputy	1,502,531.00
Health	1,805,759.00
Housing	425,678.00
Roads	6,913,197.20
Tourism	872,640.00
Trade	251,765.00
Water	376,766.50
Total	20,944,994.60

In view of the foregoing, had the Executive centralized this service, it would have enjoyed economies of scales in negotiations, avoid variant agency fees and ease in management of insurance matters.

5. Pending Bills

During the year under review pending bills had accumulated to Kshs.758,441,930. It is not clear why there were pending bills despite the reported positive liquidity position of cash and cash equivalents balance of Kshs.943,707,090.

In the circumstances, huge pending bills might impact negatively on subsequent year' s budget formulation and implementation thus delaying the achievement of the County's objectives.

6 Non-Absorption of Funds Issued by Kenya Roads Board

The Ministry of Roads, Transport, Infrastructure and Public Works budgeted to carry out road maintenance levy fund projects totaling Kshs.127, 250,840 during the 2016/2017 financial year under review. The funds were received as indicated below;

Date	Amount (Kshs)
28 September 2016	31,812,710
20 December 2016	31,812,710
10 March 2017	63,625,420
Total	127,250,840

In order for the Ministry to be able to access the funds, the Kenya Roads Board advised the County Executive to open a Roads Maintenance Levy Fund account at the Central Bank of Kenya. However, it was noted that the account was not opened as required leading to 100% of the available funds not being utilized in the period under review.

7. County Executives Policies

The following policies and guidelines have not been developed or are in draft form awaiting for approval and adoption. Further, there was no evidence that the risk management policy and framework is operational despite having been completed.

Descriptions	Status
a) Policy framework for Co-operative Societies	Draft
b) Policy framework for Vocational Training Centers	Outstanding
c) Trade Development Policy	Outstanding
d) Urban Development Policy	Outstanding
e) County Public Land Policy	Outstanding
f) Supply Chain Management Policy	Awaiting new regulations for the PPDA Act, 2015
g) County Housing Policy	Outstanding
h) County Energy Development Policy	Outstanding

The County Executive thus manages its resources and operates with lack of clear operating guidelines.

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 Executive'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 liquidate the Executive or to close operations or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. 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 when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and for the purpose of giving an assurance on the effectiveness of the Executive's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Executive's ability to continue offering 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 Executive to cease to continue offering 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 of the entities or business activities of the Executive 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

9 September, 2021