

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

---

## REPORT ON THE FINANCIAL STATEMENTS

### Adverse Opinion

I have audited the accompanying financial statements of County Executive of Garissa set out on pages 9 to 36, which comprise the statement of financial assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the County Executive of Garissa as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with Public Finance Management Act, 2012 and County Government Act, 2012.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that, public money has not been applied lawfully and in an effective way.

### Basis for Adverse Opinion

#### 1.0 Accuracy, Completeness and Presentation of Financial Statements

##### 1.1 Variances between Current Year and Prior Year Actuals

A comparison between actual figures reported in the financial statements for the financial year 2016/2017 and the comparative figure for the 2015/2016 showed huge variance as indicated below:

Items	Current Year Figure (Kshs.)	Prior Year Figure (Kshs.)	Variance (Kshs.)	Percentage Variances (%)
Compensation of Employees	2,593,381,863	2,020,185,654	573,196,209	28
Other Grants and Transfers	242,613,794	107,677,000	134,936,794	125
Other Personnel Payments	13,422,501	0	13,422,501	100
Insurance Cost	50,000,000	139,119,427	-89,119,427	-64

The variances have not been explained.

##### 1.2 Presentation and Disclosure of Financial Statements

The financial statements for the year ended 30th June, 2017 presented for audit did not include action taken on audit recommendations raised in the previous year as required by the Public Sector Accounting Standards Board and the National Treasury. Management has not provided explanations for not acting on the audit recommendations.

### 1.3 Unvouched Expenditure

Scrutiny of the financial ledgers/schedules and the cash books availed for audit revealed the County Executive spent an amount of Kshs.92,588,938 during the financial year 2016/2017. However, the expenditure could not be verified since the payment vouchers and the supporting documents were not presented for audit review.

In the circumstances, the validity and the authenticity of the expenditure could not be confirmed. In view of the foregoing, the accuracy, completeness and presentation of the financial statements could not be ascertained.

## 2.0 Cash and Cash Equivalentents

### 2.1 Unsupported Bank Balances

The financial statements for County Executive of Garissa for 2016/2017 reflected a bank balance of Kshs.76,115,233 as at 30 June 2017. However, cash books, bank statements, board of survey reports, bank reconciliations and certificate of bank balances were not made available for audit review to confirm the existence of the reported balances.

In the circumstances, the accuracy of bank balances reported could not be confirmed.

### 2.2 Defunct Local Authorities Bank Accounts

The County Executive of Garissa continued to maintain four (4) bank accounts inherited from the defunct Local Authorities of Garissa and Ijara as reflected by Note14 to the financial statements with closing bank balance of Kshs.335,138 as at 30 June 2017. This contravened the National Treasury circular which required the accounting officers of the County Government to close all bank accounts operated by the defunct Local Authorities. Details of the bank accounts are as shown below:

S/No.	Account Tittle	Account No:	Balance (Kshs.)
1.	County Council of Ijara Renewals	5000135601	3,580
2.	County Council of Garissa	2977117301	32,680
3.	County Council of Ijara - Kazi kwa Vijana	5000035401	11,008.32
4.	County Council of Ijara Generals Rates Fund	5000044402	287871
	<b>Total</b>		<b>335,139</b>

In addition, the accounts balances had not been included under the statement of assets and as part of bank balances. Further, the balances were also not supported with bank statements, certificate of bank balances cash books and bank reconciliation statements.

In the circumstances, the accuracy and completeness of the cash and cash equivalentents balances could not be confirmed.

### **3.0 Fixed Asset Register**

The summary of fixed assets register reflects a balance of Kshs.8,338,257,192 as at 30 June 2017. However, as similarly reported in 2015/2016 County Executive still does not maintain a fixed asset register. The balances and nature of the fixed assets disclosed were not supported with sufficient evidence since the County did not maintain fixed asset register as required by Section 136 of the Public Finance Management Regulations (County Government), 2015. In addition, the fixed assets inherited from the defunct Local Authorities have not been disclosed. Further, no valuation was done for the same assets and no explanation was given on how the values for the assets were arrived at.

Under the circumstances, it has not been possible to ascertain the completeness and accuracy of the balances and nature of the fixed assets valued at Kshs.8,338,257,192 disclosed in the financial statements as at 30 June 2017.

### **4.0 Outstanding Imprest**

The financial statements for County Executive of Garissa for the year ended 30 June 2017 reflected an amount of Kshs.7,497,300 as outstanding Temporary Imprest as at 30th June 2017. This is contrary to Section 93 (5) of the Public Finance Management Regulations (County Governments), 2015 which requires imprests to be accounted for within seven days upon return to the station.

In addition, review of the Integrated Financial Management Information System (IFMIS) extract on outstanding Imprest revealed that imprest totaling to Kshs.17,563,600 were outstanding as at that 30 June 2017 making a difference of Kshs.10,066,300 from the amount of Kshs.7,497,300 reported in the financial statement. No proper explanation was given for the difference of the two sets of records. The County Treasury did not avail records such as imprest warrants booklets or any records to confirm details of outstanding imprest such as imprest holders, date issued, the purpose for which the imprests were issued and date of surrender.

In view of the anomalies, the authenticity of the outstanding imprest balance could not be confirmed.

### **5.0 Unsupported Increase in Wage Bill**

The financial statements for County Executive of Garissa for the year ended 30 June 2017 reflected an amount of Kshs.2,593,381,863 as compensation of employee as reflected in the statement of receipts and payments and as disclosed in Note 4 to the financial statements out of which an amount of Kshs.2,006,832,169 being basic salaries of permanent employees and Kshs.514,234,538 being basic wages of temporary employees were paid. The total expenditure on the two components was Kshs.2,521,066,707 which differed from the figures reported in the financial statements by Kshs.72,315,156. No explanation was given to for the difference.

In addition, according to the comparative figures for the same components in the financial year 2015/2016, the County Executive spent an amount of Kshs.1,488,389,438 on basic salary and basic wages resulting to an increase in the wage bill amounting to

Kshs.1,032,677,269.35 (69.38%). No proper explanation was given for the increase and the County did not avail records despite several request in respect of staff recruitments or promotions purported to have resulted the increase in the wage bill.

Consequently, the increase of the wage bill could not be justified and confirmed as proper charge to public funds.

## **6.0 Pending Bills Expenditure**

A review of the records maintained by the County Executive of Garissa and examination of payment vouchers, tender minutes and other records relating to various projects revealed the County Executive paid an amount of Kshs.745,108,890 in respect of projects that were allegedly initiated and procured during the financial years 2014/2015 and 2015/2016. However, the alleged pending bills were not disclosed in the financial statements for the financial year ended 30 June, 2016. This is contrary to the guidelines issued by the Public Sector Accounting Standards Board under provisions of Section 194 of the Public Finance Management Act, 2012. The pending bills allegedly paid were not supported with schedules showing details of the contracts, name of the creditors, contract dates, L.P.Os/L.S.Os, amounts paid and the outstanding balances. No explanation was provided for non-disclosure of the pending bills amounting to Kshs.745,108,890 in the financial statements for financial year 2015/2016.

In addition, the procurement plan for the financial years the projects related to and the project files containing the original tender documents such as advertisements of the projects, tender opening minutes, evaluation and awarding minutes, contract agreements, bills of quantities, inspection and acceptance reports, certificate of partial or practical completion and previous payments made to the contractors were not availed for audit review. The payments were supported only with copies of tender opening minutes, tender evaluation minutes, contract agreements and other tender documents. It was, therefore, not possible to confirm the genuineness of the pending bills paid.

Under the circumstances, the authenticity of the expenditure could not be confirmed.

## **7.0 Expenditure on National Government Function**

Examination of payment vouchers, tender documents and other supporting documents revealed that County Executive of Garissa incurred an amount of Kshs.321,686,253 on construction of education offices, administration block, fencing of secondary schools and other security projects which are all National Government functions. The Projects implemented were not assigned functions of the County Government as per 4<sup>th</sup> schedule of the Constitution of Kenya but a function of National Government. In addition, there was no written agreement between the two levels of Governments as required by Article 187 of the Constitution of Kenya. No evidence was availed to confirm that the institutions requested to be assisted. It was also not clear whether the projects were also funded or implemented by National Government through the line Ministries. Further, a review of the payment vouchers and supporting documents revealed the following anomalies:

- i. The projects were initiated in the financial years 2014/2015 and 2015/2016. There were no project files availed showing the payments history of the projects and no pending bills was disclosed in the financial statement for the year ended 2015/2016.

It was, therefore, not possible to ascertain whether the County actually had pending bills regarding the projects purported to have been paid.

- ii. The projects were procured through restricted tendering method. In addition, there were no request form or application from the user department for the choice of the procurement and approval of the same from central tender committee availed for audit review. Further, the original bills of quantities of the projects and the original tender opening register for most of the projects were not made availed for audit review and where availed, they were mostly not signed by the participants. Discrepancies of signatures of various officers who signed tender opening minutes, evaluation minutes, and, inspection and acceptance committee were observed hence the authenticity of these records could not be ascertained.
- iii. Contract agreements were not signed for most of the projects contrary to Section 68 of the Public Procurement and Disposal Act, 2005. Some of the payments were supported by certificate of completion signed on behalf of the designated officers without delegated authority from them while some of the payments were also made without inspection and acceptance committee reports.

Under the circumstances, the propriety of the expenditure could not be ascertained

## **8.0 Irregular Procurement and Unsupported Emergency Relief Expenditure**

The Garissa County Executive spent an amount of Kshs.114,372,500 on emergency relief for the financial year 2016/2017. The expenditure was incurred on water trucking, supply and delivery of relief food and non-food items. However, the County did not produce tender documents such as bills of quantity, quotation, minutes, L.P.Os/L.S.Os and other tender documents relating to the expenditure despite several request. The water tracking activities were not supported with work tickets for the vehicles purported to have been used. There was no water distribution schedules showing the location where the water tracking was done. The relief foods procured were not received vide counter receipt vouchers (S13). The County did not avail stores records where the relief food and other non-food supplies were recorded. List of the beneficiaries of the relief foods and other goods was also not availed for audit review.

In addition, out of the Kshs.114,372,500, spent on the emergency issues, an amount of Kshs.52,065,000 relates to water trucking done and food and non-food supplies delivered in the financial year 2014/2015. There were no pending bills disclosed for the year ended 30 June 2016 and no evidence was availed to confirm payment for these goods and services were not made in the 2015/2016 financial year.

Consequently, the authenticity of the payments made could not be confirmed as genuine.

## **9.0 Irregular Expenditure on Other Civil Works**

The Garissa County Executive awarded contracts totaling to Kshs.87,756,355 on projects for construction of water pans, fencing of graveyards, fencing and repair works of dispensaries and polytechnics and construction of early childhood centers among other civil works within the County. However, audit of the expenditure on those projects revealed the following anomalies.

- (i) The projects were initiated in the financial years 2014/2015 and 2015/2016 and not the financial year under review. There were no project files availed for audit to confirm the history of the projects and the amount paid to the contractors.
- (ii) There were no pending bills disclosed in the financial statement for the year 2015/2016.
- (iii) The projects were procured through restricted tendering method. However, it was observed that there were no requests from the user department for the choice of the procurement method and there was also no approval from central tender committee for the same. Further, the original bills of quantities of the projects and the original tender opening register for most of the projects were not availed for audit review and where availed, they were mostly not signed by the participants. In addition, it was observed that some of the payments were made without inspection and acceptance committee reports and certificate of practical completion.

In view of the above anomalies the authenticity of the expenditure could not be confirmed.

### **10.0 Irregular Procurement and Unaccounted for Goods**

During the year ended 30 June, 2017 the management spent 1,056,175,449 on use of goods and services. However, an amount of Kshs.61,785,150.00 used on procurement of goods such as borehole spare parts and assorted Genset parts were not properly procured. A review of the expenditure for the same reveals that the payments were not properly supported with tender documents such as quotations, bill of quantities, minutes, L.P.Os, delivery notes and invoices. In addition, it was observed that there were no requisitions from the user departments and it was, therefore, not clear how the stores were identified and procured. The payments were not supported with inspection and acceptance committee report on the status of the goods delivered.

Further, the spare parts and other goods purported to have been procured were not received vide S13 and were not taken on charge on the store ledger casting doubt whether the stores were delivered. The projects were initiated and procurement done in the financial year 2014/2015. However, the County Executive of Garissa did not disclose pending bills in its financial statements for the 2015/2016 financial year.

Under the circumstances, the propriety of the expenditure could not be ascertained.

### **11.0 Payment of Rental Services**

Examination of payment vouchers and the supporting documents for the expenditure revealed that an amount of Kshs.43,274,034 was paid to various landlords for provision of rental premises to the County Executive for the financial year ended 30 June, 2017. A review of the expenditure for the same revealed the following anomalies:

- i. Some of the payments made to the suppliers were unpaid bill for rental services rendered in the financial year 2015/2016. However, no pending bills were disclosed in the County's financial statement for financial year 2015/2016. There was no evidence availed to confirm that the payments were not made during the year they related to.

- ii. There was no valuation report from department of housing to confirm the rate paid was economical and fair.
- iii. The lease agreement for the rental premises for County Public Service Board had not signed by lessor, hence there was no valid agreement to let the premises.
- iv. Most of the payments were made without a copy of ownership documents such as allotment letters or lease certificates and therefore it was difficult to confirm if the right owners were paid.

In view of the above, it has not been possible to confirm the propriety of the expenditure on rental services.

## **12.0 Irregular and Unsupported Domestic and Subsistence Allowance**

The County Executive of Garissa incurred Kshs.165,129,214 for domestic and subsistence allowances for the financial year 2016/2017. A review of the expenditure revealed that an amount Kshs.46,698,750 used for travel and subsistence allowances were paid to persons who were on official duties outside their working stations. However, examination of payment vouchers and supporting documents revealed the following irregularities:

- i. No imprests were issued to the officers prior to their travel and, therefore, the source of the funds spent by the officers was not known.
- ii. Some of the subsistence allowances paid to staff were not properly supported with travel documents such as work tickets or bus ticket and therefore the mode of transport used could not be ascertained.
- iii. There were no invitation letters, attendance registers for those attending meetings and training programs. Creating doubts on the genuine of the expenditure.
- iv. Allowances were paid to security officers purported to be attached to Governor's residence and office. Other security officers involved in peace meetings were also paid. However, there were no muster roll showing the days worked. Further inconsistencies of signatures were noted where some officers signed differently in the schedules supporting the payments. Some officers were also paid for the same days resulting to double payment of Ksh.170,500.
- v. The County spent an amount of Kshs.8,050,500 on consultative meetings for the sub-county administrators, ward administrators and other staff in the months of February, March and April, 2017. There were no proper documentation such as venue of the meeting, minutes of the said meetings and daily attendance registers. Further, inconsistencies of date, signatures and documents supporting the payments were noted. In one case, two consultative meetings were allegedly held in the month of March, 2017. One was held between 13/3/2017 and 21/3/2017 and the other between 20/3/2017 and 25/3/2017. This means, the two meetings were concurrent for two days i.e. on 20/3/2017 and 21/3/2017 and the same sub-county administrators and ward administrators were involved. The officers were paid allowance while attending the two alleged meetings. It was not clear how the same

administrators were invited to attend two similar meetings which were held during the same period.

- vi. Payment made to staff that were engaged in the draught monitoring assessment and other duties in the county was not fully supported there were no assessment report to confirm the exercises were completed and some of the lists availed also indicated officers not involved in exercises prepared and signed the scheduled. The mode of transport used was also not revealed since there were no work tickets or other records availed to confirm the same. The payment schedule did not indicate the designation and the job groups of the same officers involved hence it was difficult to confirm the rate paid to officers was their right entitlement.
- vii. An amount of Kshs.5,796,000 was paid to KPR officers in working at Dadaab in the months of May, June and July, 2015. Out of this amount Kshs.4,122,000 related allowances relating to the financial year 2015/2016. No explanation was made why the allowances were not paid during the same financial year and no evidence was availed to show that the allowances were not paid at the time. It was further noted that payment of allowances amounting to Kshs.828,000 for the month of June, 2015 was made twice hence double payment. The expenditure was not supported with muster roll showing the number of days worked and the stations where the officers worked. It was further noted that the signatures of the officers paid were not consistent with all schedules supporting the payments.

Under the circumstances, the propriety of the expenditure could not be ascertained.

### **13.0 Unaccounted for Fuel**

Examination of payment vouchers, other supporting documents and fuel registers maintained by the County revealed that 299,194.46 litres of fuel worth Kshs.34,339,052.00 were procured during the period under review. However, the fuel was not recorded in the stores register. There were no delivery notes, detail orders and vehicles work tickets availed to support the fuel consumption and to confirm the fuel was used for the intended purposes.

Consequently, the propriety of the expenditure could not be confirmed.

### **14.0 Purchase of Office Furniture and General Equipment**

The financial statement for the financial year 2016/2017 and Note 8 to the financial statements reflected an amount of Kshs.16,055,404.15 as acquisition of assets. Examination of payment vouchers and the supporting documents availed for audit revealed that contracts amounting to Kshs.29,661,228 were awarded to suppliers for supply and delivery of office furniture. However, the following anomalies were noted:-

- i. According to the approved supplementary budget for the financial year under review, an amount of Kshs.7,000,000 was budgeted for the purchase of office furniture and fittings. However, the County spent an amount of Kshs.16,055,404 on this item as reported in the financial statement under Note 8 resulting in an over expenditure of Kshs.9,055,404. No explanation was given for the over expenditure and diversion of funds from another budget item.



- ii. The contracts for purchase of the furniture were awarded in the financial year 2014/2015. No proper explanation was given for not making the payment for the same financial year. Further, the County did not disclose Pending Bills in its financial statements for the financial year 2015/2016. The expenditure was also not supported with schedules showing details of the pending Bills such as contract dates, L.P.Os, details of the creditors, amount paid in the previous years and outstanding balance.
- iii. The procurement plan for the financial year 2014/2015 was not availed for audit review hence it was not possible to confirm whether the assets procured were planned for. The original tender documents such as the bills of quantity, quotations, minutes, contract agreements were not made available for audit review.
- iv. The furniture allegedly procured and supplied were not taken on charge in the stores register. There were no issue notes availed to confirm the point of use. Also, the County did not maintain asset register.

Consequently, the propriety expenditure could not ascertained.

### **15.0 Irregular Payments on Specialized Materials**

During the financial year 2016/2017 the County Executive of Garissa paid food stuff, Pharmaceutical drugs and Lab reagents worth Kshs.27,277,874 for Garissa County Referral Hospital that were procured from various suppliers. A review of the expenditure for same revealed the following anomalies:

- (i) The goods were not taken on charge in the stores records. There were no issue notes availed to confirm how the foodstuff and the drugs were utilized.
- (ii) It was observed that the drugs and Lab reagents were procured from various private pharmaceutical companies instead of KEMSA which is a government owned institution. However, the procurement plan and list of prequalified contractors were not availed for audit review and to confirm the suppliers were pre-qualified.
- (iii) A review of the contracts documents revealed that the same stores were procured 2015/2016 financial year not the period under audit. No proper explanation was given for not making payments during the year the stores were procured.

In view of the above, it was not possible to confirm the authenticity of the expenditure.

### **16.0 Irregular Procurement of Consultancy Services**

The County Executive of Garissa used Kshs.17,518,250 in respect of consultancy services on security survey and threat analysis for Garissa - Sub County. However, a review of the expenditure revealed that there was no evidence of use of competitive bidding and the payment were not supported with contract agreement signed between the County Government and the Consultants. Further, the payments were not supported with reports of the services offered, companies registration and other compliant certificates.

Under the circumstances, the propriety of the expenditure could not be ascertained.

### **17.0 Irregular and Unaccounted for Scholarship Fund**

During the year under review, the County Executive of Garissa disbursed an amount of Kshs.14,956,480 as a bursary to needy students. It was however observed that a payment of Kshs.768,000 was made to the chief officer being committee allowance which was not supported with the signed minutes as evidence of the committee sittings while another Kshs.1,512,000 was paid to the Chief Officer Finance as a bursary to student instead of making payment directly to the Institutions. This is against Garissa County Scholarship Act, 2014 which requires that the funds to be disbursed directly to the institutions of higher learning in which the students are studying once the necessary details have been submitted and verified accordingly. No explanation was given why the payment was not given directly to the learning Institutions.

In addition, the County also did not maintain cheques dispatch register to show that cheques were dispatched to the right institutions. It was also noted that there were no fees payment receipts and acknowledgement letters from institutions that were alleged to have received the bursaries.

Further, financial statement for the Fund was not prepared and submitted for audit contrary to Section 167 of the Public Finance Management Act, 2012 which required administrators of a County Public Fund to prepare financial statement for the funds for each financial year in a form prescribed by the Accounting Standard Board.

Consequently, it has not been possible to ascertain whether the payment of bursary funds was made to the rightful recipients.

### **18.0 Unaccounted For and Irregular Payment for Aluminium Sulphate**

A review of the expenditure for 2016/2017 financial year for the County Executive of Garissa revealed that an amount of Kshs.11,960,000 was paid for supply and delivery of aluminium sulphate. However, audit of the records for the same revealed the following anomalies:

- (i) The chemicals were procured in the financial year 2014/2015 but was paid in 2016/2017. There was no proper explanation was given why the payment was not made in the financial year 2014/2015 and 2015/2016. Further, the County did not disclose pending bills in its financial statement for the financial year 2015/2016.
- (ii) The chemicals were procured through restricted tendering. No evidence was availed to show that authority for the restricted tendering was sought and approved.
- (iii) Tender opening and evaluation committees were the same individuals contrary to the Public Procurement and Assets Disposal Act, 2015.
- (iv) Discrepancies were noted on the signatures of the tender opening and evaluation committees.

- (v) It was also noted that only two persons were appointed as inspection and acceptance committee members instead of three as required by the Act.
- (vi) The form of tender reflects the winning bidder quoted a contract sum of Kshs.4,900,000. However, the summary of the document prepared separately and attached show a contract sum of Kshs.11,960,000. It was not clear why the form of tender and summary of the bill of quantities had conflicting contract sums. Further, the summary of the documents supporting the payments lacked details such as name, signatures and address of the winning bidder. It was also noted that the date was altered without countersigning. The original date before the alterations was 17/01/2015 which was two months before the winning bidder was incorporated on 16/3/2015. Although the goods were received vide counter receipt vouchers (S13) no.7542886 of 30/4/2015, the same were not taken on charge in the stores records. There was no issue notes availed to confirm the point of use.

Under the circumstances, the propriety of the expenditure could not be ascertained.

### **19.0 Irregular Refurbishment of Buildings**

Audit examination of payment vouchers and other records held at Garissa county Executive revealed that the County awarded contracts amounting to Kshs.35,116,177.05 on projects relating to refurbishment of buildings. However, contracts amounting to Kshs.10,163,770 were procured and paid without following the laid down procurement procedures. The project files containing the original tender documents such as bill of quantities, quotations, minutes, contract agreements, notification of awards were not availed for audit review. There were no certificate of practical completion and, inspection and acceptance committee reports and the original minutes were not availed for audit.

Consequently, the authenticity of the expenditure could not be ascertained.

### **20.0 Unsupported Meal Allowances**

A review of the financial statements for 2016/2017 and Note 5 to the financial statements revealed a balance of Kshs.73,541,541 for Hospitality Supplies and Services. In the statement of receipts and payments were meal allowances totaling Kshs.5,910,090 incurred during the year under review. However, the payments were not supported with the daily attendance registers as a proof that the officers worked beyond the normal working hours. The nature of work the officers performed, and the reason for working outside the normal working hours was not explained. Some of the payments were also not supported with the duly signed payment schedules as an acknowledgement of the receipt of the allowances.

In view of the above, it was not possible to confirm the propriety of the expenditure.

### **21.0 Payment for Purchase of Certified Seeds Breeding Stock**

During the year under review the County Executive of Garissa paid Kshs.5,509,655 for the supply and delivery of veterinary drugs vaccines and equipment in the department of Livestock and Pastoral Economy vide tender No. CGG/Q/226/1/2014-2015. Although an amount of Kshs.5,509,655 was paid during the period under review, the contract sum for

the project was Kshs.29,850,000. The project was initiated and contract awarded in the financial year 2014/2015. However, there was no project file containing original tender documents such as the minutes, L.P.Os, delivery notes, invoices, counter receipts, receipt vouchers (S13) showing award of the contract and delivery and receipt of the goods.

In addition, the County did not disclose pending bills in its financial statement for the financial year 2015/2016 and no evidence was availed to show that the contractor was not fully paid during the financial years 2014/2015 and 2015/2016.

Under the circumstances, it was not possible to ascertain the authenticity of the expenditure.

## **22.0 Unsupported Payment for Motor Vehicle Repairs**

The use of goods and services reflected a balance of Kshs.1,056,175,448.92 for the financial year 2016/2017 and as disclosed in Note 5 to the financial statements. However, an amount of Kshs.22,137,151 was used for maintenance of vehicles and other transport equipment. Examination of payment vouchers and supporting documents revealed an amount of Kshs.4,718,448 incurred in respect of motor vehicle repairs was not properly supported. There were no pre and post certificate of inspection issued by mechanical department (Public Works) department indicating the nature of repairs and estimated costs to ascertain whether it was economical to repair the motor vehicles. It was also noted that the repairs were not taken on charge in the logbook (GP 55) and the work tickets were not made available for audit to confirm the repairs were indeed carried out. Further, the services were not competitively procured as required by law since no request for quotations were raised.

In view of the above anomalies the propriety of the expenditure could not be ascertained.

## **23.0 Unaccounted For General Supplies**

Examination of payments vouchers, supporting documents and other records held at County Executive of Garissa in respect of procurement of general supplies totaling to Kshs.17,467,872.00 revealed that the stores were received vide counter receipt vouchers but were not taken on charge in their respective stores ledgers and there was no documentary evidence availed to confirm how they were utilized. The payments were made without inspection and acceptance certificates. These was also not supported with delivery notes to confirm receipt of the goods.

Under the circumstances the authenticity of the expenditure could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Executive of Garissa 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 in my professional judgment are of most significance in the audit of the financial statements. Except for the matters discussed in the Basis for Adverse Opinion and Other Matter sections of my report, I determine that there were no Key Audit Matters to communicate in my report.

## Other Matter

### 1.0 Budget and Budgetary Control

#### 1.1 Budget Performance Analysis

During the year under review, the approved supplementary budget for the County Executive was Kshs.6,841,015,065 (excluding Kshs.729,500,000 allocated to County Assembly) with Kshs.4,085,058,730 or 59.7% allocated to recurrent expenditure and Kshs.2,755,956,335 or 40.3% allocated to Development projects as follows:

Item	Budgeted Allocation	Actual Expenditure	Absorption Rate	% Of Total Expenditure
Recurrent Expenses	4,085,058,730	4,765,147,037	116.64	66.6%
Development Expenses	2,755,956,335	2,393,497,954	85.3%	33.4%
<b>TOTAL</b>	<b>6,841,015,065</b>	<b>7,158,644,991</b>		

#### 1.2 Under Expenditure

The County recurrent approved budget for 2016/2017 financial year was Kshs.4,085,058,730 excluding Kshs.679,500,000 allocated to County Assembly of Garissa. However, examination of the vote book control and expenditure returns as at 30 June, 2017 revealed the county's actual total recurrent expenditure was Kshs. 3,346,174,799 resulting in under expenditure of Kshs.738,883,931 as detailed below:-

Department	Approved Budget (Kshs)	Actual Expenditure (Kshs)	Difference (Kshs)
Finance and Economic Planning	1,428,198,161	1,382,967,446	45,230,715
Agriculture, Fisheries and Irrigation	100,922,037	95,533,297	5,388,740
Health	1,374,574,465	1,229,523,100	145,051,365
Transport and Infrastructure lands and Housing	94,161,494	89,070,364	5,091,130
Water and Sanitation Department	136,707,395	117,019,049	19,688,346
Energy, Environment and Natural Resources	38,336,000	34,505,784	3,830,216
Culture, Social, Gender and Children	37,331,707	3,083,846	34,247,861
Education and Public service	278,999,151	97,172,949	181,826,202
Trade and Co-operative Development, Youth and Sport	71,140,548	22,746,631	48,393,917
County affair, Governor's office and Deputy Governor's office	279,749,342	248,729,422	31,019,920

Livestock and Pastoral Economy	81,843,376	12,480,654	69,362,722
Urban Planning	163,095,054	13,342,257	149,752,797
<b>TOTAL</b>	<b>4,085,058,730</b>	<b>3,346,174,799</b>	<b>738,883,931</b>

Similarly, the County development approved budget for 2016/2017 financial year was Kshs.2,755,956,335 excluding Kshs.50,000,000 allocated to County Assembly. However, examination of the vote book control and expenditure returns as at 30 June, 2017 revealed the county's total development expenditure was Kshs.2,022,259,050 resulting in under expenditure of Kshs.733,697,285 as detailed in detailed below:

<b>Department</b>	<b>Approved Budget (Kshs.)</b>	<b>Actual Expenditure (Kshs.)</b>	<b>Difference (Kshs.)</b>
Finance and Economic Planning	250,322,677	203,165,629	47,157,048
Agriculture, Fisheries and Irrigation	74,000,000	33,077,382	40,922,618
Health	327,244,681	74,999,726	252,244,955
Transport and Infrastructure lands and Housing	1,027,888,977	954,334,396	73,554,581
Water and Sanitation Department	617,000,000	526,223,813	90,776,187
Energy, Environment and Natural Resources	130,000,000	93,044,450	36,955,550
Culture, Social, Gender and Children	42,000,000	19,699,900	22,300,100
Education, Youth, Polytechnic and Sports	67,500,000	37,341,394	30,158,606
Trade and Co-operative Development, Youth and Sport	39,000,000	26,500,000	12,500,000
County affair, Governor's office and Deputy Governor's office	22,000,000	15,172,360	6,827,640
Livestock and Pastoral Economy	62,000,000	16,200,000	45,800,000
Urban Planning	97,000,000	22,500,000	74,500,000
<b>TOTAL</b>	<b>2,755,956,335</b>	<b>2,022,259,050</b>	<b>733,697,285</b>

The county Executive did not explain the material variations between the sum voted and the actual expenditure in the financial statements as required by Section 164 (2) (a) (iv) of the Public Finance Management Act, 2012.

Consequently, the budget estimates appear unrealistic besides the under expenditure indicates county residents did receive planned and budgeted services in the year under review.

## **2.0 Under Performance of Local Revenue Collection**

During the year under review, the County Executive of Garissa had budgeted to collect local revenue amounting to Kshs.350,000,000. However, Note 3 of the financial statements and revenue analysis prepared by the County revealed that the County Executive collected Kshs.80,723,998, resulting in under collection of Kshs.269,276,002 which is 76.9% of the amount budgeted for. In addition, it was observed that local revenue

collection continued to decline from Kshs.130,483,519 and Kshs.104,315,266 collected in the Financial Years 2014/2015 and 2015/2016 to Kshs.80,723,998 in 2016/2017. No reason was given for the failure by the county Government to collect revenue as budgeted.

### **3.0 Failure to Establish An Audit Committee**

The County Executive of Garissa has not established an audit committee contrary to Section 167(1) of the Public Finance Management (County Government) Regulations, 2015 which requires County Government entities to establish audit committees in accordance with prescribed regulations to monitor the entities governance process, accountability and control systems, offer objective advice on issues concerning risk, control, and regulatory compliance of the County. The County Executive is therefore in breach of the Law.

### **4.0 Lack of Independent Internal Audit Function**

A review of the operations of the internal audit department revealed that the County Executive has established internal audit unit to oversee governance mechanisms and promote transparency and accountability in the management of resources of the County. However, the internal audit function has a director, two principal auditors and four other officers who report to the Chief Officer Finance instead of the Audit Committee. During the financial year under review, the department did not prepare any report, contrary to provisions of Section 155(2) of the Public Finance Management (County Government) Regulations, 2015 which stipulate that an accounting officer shall ensure that an internal audit is facilitated with sufficient authority to promote independence and ensure broad internal coverage, and adequate consideration of audit reports. The internal audit unit therefore lacks independence to execute its mandate.

### **5.0 Information Communication Technology (ICT) Environment**

Review of the County ICT environment revealed that there was no formal approved ICT Policy in place as at 30 June, 2017 which includes data security policy and Disaster Recovery Plans. In addition, there were no formally documented and approved processes to manage upgrades made to all financial/performance information systems provided for audit. Consequently, the weaknesses in the ICT environment exposes the County Executive to the risk of financial information/data integrity.

### **Responsibility 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 continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to 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.

Those charged with governance are responsible for overseeing the County Executive'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:

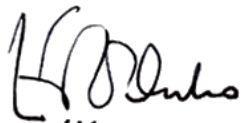
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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 County 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 County Executive'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 Executive 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 of the entities or business activities 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**

**03 June 2018**