

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

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of County Executive of Lamu set out on pages 6 to 54, which comprise the statement of financial assets and liabilities as at 30 June 2017, 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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

Basis for Disclaimer of Opinion

1.0 Unsupported Expenditure

The statement of receipts and payments for the year ended 30 June 2017 reflects payments totaling Kshs.314,921,359.90 whose supporting schedules were not presented for audit review as summarized below:

Item	Amount (Kshs)
Utilities, supplies and services	70,831,785.85
Communication supplies and services	11,990,738.45
Domestic travel and subsistence	128,634,191
Printing, advertising and information supplies & services	27,605,313
Training expenses	37,839,040
Refurbishment of buildings	38,020,291.60
Total	314,921,359.90

In the circumstance, the accuracy and completeness of the expenditure totaling to Kshs.314,921,359.90 for the year ended 30 June 2017 could not be confirmed.

2.0 Variance between Financial Statement and Vote book

The statement of receipts and payments for the year ended 30 June 2017 reflects payments of Kshs.206,069,282 compared to the vote book balance of Kshs.170,445,156 resulting to unexplained nor reconciled variance of Kshs.35,624,109.45 as shown below:

Item	Financial statement Amount (Kshs)	Vote Book Amount (Kshs)	Variance
Communication supplies and services	11,990,738.45	10,880,986	1,109,752.45
Domestic travel and subsistence	128,634,191	113,801,432	14,832,752
Printing, advertising and information supplies & services	27,605,313	18,292,893	9,312,410
Training expenses	37,839,040	27,469,845	10,369,195
Total	206,069,282	170,445,156	35,624,109.45

In the circumstance, the accuracy and completeness of the expenditure totaling Kshs.35,624,109.45 for the year ended 30 June 2017 could not be confirmed.

3.0 Payments outside Integrated Financial Management Information System

The statement of receipts and payments for the year ended 30 June 2017 reflects a balance of Kshs.154,325,375 in respect to payments made outside Integrated Financial Management Information system as detailed below;

Expenditure item	Amount Kshs
Domestic travel and subsistence	13,163,569
Fuel, oil and lubricant	2,144,099
Office and general supplies	21,264,242.58
Purchase of certified seeds	1,950,000
Routine Maintenance	261,386
Training expenses	918,742
Utilities, supplies and services	19,700,393
Construction and civil works	37,764,678.88
Purchase of office furniture & general Equipment	5,418,971
Purchase of specialized equipment	7,178,073
Construction of Building	37,233,195.85
Purchase of Household furniture & institutional equipment	1,270,000
Refurbishment of building	6,058,025

Total	154,325,375
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The management has not explained why Integrated Financial Management Information System has not been put to use fully in recording the financial operations of the County Government contrary to Public Finance Management Act no.18 of 2012 Regulation 109 (1) that requires National Treasury to develop and regularly issue standard operating procedures and instructions in the automated integrated financial management system operation, use and maintenance.

4.0 Unsupported Expenditure

The statement of receipts and payments for the period ended 30 June 2017 reflects a balance of Kshs.222,036,748.95 and whose payment vouchers were not availed for audit review as detailed below:

Item	Amount (Kshs)
Construction and civil works	15,810,390
Construction of Buildings	178,389,988.95
Purchase of Furniture and General Equipment	3,375,319
Purchase of Specialized Plant, Equipment and Machinery	5,589,461
Overhaul and Refurbishment of Construction & Civil works	18,871,590
Total	222,036,748.95

In the circumstance, the propriety and completeness of expenditures amounting to Kshs.222,036,748.95 for the year ended 30 June 2017 could not be confirmed.

5.0 Expenditures supported with Invalid Documentation

The statement of receipts and payments for the year ended 30 June 2017 reflects a balance of Kshs.72,760,591 in respect to payments in respect to construction of buildings and civil works. However, the payment vouchers did not contain serial numbers of Kshs.37,233,196 and Kshs.35,527,395 respectively.

It's not clear and the management has not explained why official documents are not serially and if the supporting documents were authentic and valid.

In the circumstance, the propriety and completeness of payment amounting to Kshs.72,760,591 for the year ended 30 June 2017 could not be confirmed.

6.0 Acquisition of Assets

The statement of receipts and payments for the year ended 30 June 2017 reflects acquisition of assets of Kshs.905,302,154 as detailed in Note 18 to the financial statements. However, audit verification revealed the following anomalies:

6.1 Asset Register

As previously reported, Annex 4 to the financial statements reflects a summary of assets totaling Kshs.905,302,154 as at 30 June 2017. However, this balance does not include assets acquired in 2015-2016 and prior years.

Further, the summary of the fixed asset register included in Annex 4 to the financial statements was not supported with the county Government's fixed asset register. This is contrary to Section 136 (1) (o) of the Public Finance Management (County Government) Regulations, 2015 which requires the Accounting Officer to be responsible for maintaining asset register.

Furthermore, the management has not explained how the handing over process of the defunct Local Authorities' assets was conducted including whether the handing over report of the assets and liabilities to the County Government was published.

In the circumstance, the propriety, accuracy and completeness of the assets balance of Kshs.905,302,154.08 as at 30 June 2017 could not be confirmed.

6.2 Construction of Lamu County Headquarters

As reported last year, the County Executive entered into an agreement with a consultant for construction of Lamu County headquarter at a contract sum of Kshs.186,922,006. The management did not avail the contract document for audit review. Further, audit verification revealed that the building was constructed using fabricated steel materials which exposed the steel to corrosion due to salt in the moisture. Available information from the management indicated that the building has already started developing problems as analyzed below:

- (i) Continuous blockage of plumbing and drainage system
- (ii) Peeling of paints in the building both interior and exterior
- (iii) Rusting of metallic fittings and Leakage of the roofs
- (iv) Complains of Tremors felt in the building when heavy trucks pass by the nearby road.

The management has indicated that the county government adopted this kind of building as there was dire need of office space and the pre-engineered building could be constructed in a shorter period compared to conventional buildings. However, maintenance cost may be uneconomical in the long run and the strength of the building is not guaranteed for longer time since the fabricated steel materials may rust due to salty atmosphere within the Lamu County.

Consequently, the propriety and value for money of the total expenditure of Kshs.186,922,006 spent on the building could not be confirmed.

6.3 Other Domestic Accounts Receivable

Note 18 to the financial statements for the year ended 30 June 2017 reflects an amount of Kshs.17,098,616 in respect to other domestic accounts receivable. The composition of this vote was items donated to the County Executive by some donors. However, some items amounting to Kshs.1,323,660 were included though due to their nature they do not qualify to be treated as assets. These include: surrender of imprest, airtime, Nurses on special duty allowances and payment to casual labor. It is not clear why these items could not be classified under the correct items or votes.

Consequently, the propriety and completeness of other domestic accounts receivable of Kshs.1,323,660 for the year ended 30 June 2017 could not be confirmed.

6.4 Refurbishment of Building

Note 18 to the financial statements for the year ended 30 June 2017 reflects Kshs.38,020,292 in respect to refurbishment of buildings. However, the ownership documents for the refurbished buildings were not availed for audit verification.

Consequently, the propriety and completeness of refurbishment of buildings of Kshs.38,020,292 for the year ended 30 June 2017 could not be confirmed.

6.5 Purchase of Household Furniture and Institutional Equipment

Note 18 to the financial statements for the year ended 30 June 2017 reflects Kshs.2,204,645 in respect to purchase of household furniture and institutional equipment. However, the purchased furniture and equipment could not be verified since the management did not avail a distribution list giving details of where the furniture and equipment were distributed.

Consequently, the propriety and completeness of purchase of household furniture and institutional equipment of Kshs.2,204,645 for the year ended 30 June 2017 could not be confirmed.

6.6 Construction of Buildings

6.6.1 Amu Ranch Planning Services and Survey

Note 18 to the financial statements for the year ended 30 June 2017 reflects an amount of Kshs.598,514,560 in respect to construction of buildings out of which an amount of Kshs.8,057,534 was paid to a consultant to carry out Planning Services & Survey of Amu Ranch. However, it's not clear and the management has not provided evidence of work done.

Consequently, the propriety and completeness of the amount of Kshs.8,057,534 paid to Wymco Engineering Limited for planning and survey of Amu Ranch as at 30 June 2017 could not be confirmed.

7.0 Cash and Bank Balance

7.1 Lamu County Government Retention Account

The statement of assets and liabilities reflects bank balance of Kshs.236,293,207 as at 30 June 2017. However, audit analysis revealed that the Lamu County Government Retention Account held at KCB reflected a zero balance as at 30 June 2017. Information available indicates that the County Executive did several projects among them the Lamu County Headquarters whose defects liability period had not expired and therefore the County Executive was supposed to keep the retention money until the defects liability period is over.

It was not clear why the retention account reflected a zero balance as at 30 June 2017 and how the money was spent.

Consequently, the accuracy and completeness of balance of nil retention account as at 30 June 2017 could not be confirmed.

7.2 Certificate of Bank Balances

Note 22A to the financial statements for the year ended 30 June 2017 reflects bank balance of Kshs.236,293,207 relating to twenty four (24) bank accounts. However, bank confirmation certificates for two (2) bank accounts with a total balance of Kshs.7,296,308.50 were not availed for audit review as summarized below:

No	Name of Bank Account	Type of Account	Amount (Kshs.)
1	Lamu fixed deposit Account-DTB	Fixed Deposit	7,295,945.00
2	Lamu county Ministry of Health-DTB	Health	363.50
	Total		7,296,308.50

In the circumstance, the accuracy and completeness of the bank balance of Kshs.236,293,207 as at 30 June 2017 could not be confirmed.

7.3 Omitted Bank Account

The statement of assets and liabilities reflects bank balance of Kshs.236,293,207 as at 30 June 2017. However, audit analysis revealed that the Lamu County Government Hosp Account held at KCB whose certificate of balance reflected a balance of Kshs.1,020 as at 30 June 2017 was omitted in the financial statements as at 30 June 2017.

Consequently, the accuracy and completeness of bank balance of Kshs.236,293,207 as at 30 June 2017 could not be confirmed.

7.4 DTB Lamu County Side Demand Financing Fund Account

The statement of assets and liabilities reflects bank balance of Kshs.236,293,207 as detailed in Note 22A to the financial statements for the year ended 30 June 2017. Note 22A reflects a balance of Kshs.338 in respect to County Government of Lamu Side Demand Financing Fund Account held at DTBank. However, the certificate of balance and bank reconciliation reflects a balance of Kshs.50,821,468 as at 30 June 2017 resulting to unexplained variance of Kshs.50,821,130.

Consequently, the accuracy and completeness of bank balance of Kshs.236,293,207 as at 30 June 2017 could not be confirmed.

7.5 KCB Salary Control Account Number

The statement of assets and liabilities reflects bank balance of Kshs.236,293,207 as at 30 June 2017 out of which a balance of Kshs.111 was held at KCB Salary Control Account as reflected in Note 22A to the financial statements. However, the bank confirmation certificate availed for audit review reflected an amount of Kshs.2,467,439.42 resulting to unreconciled variance of Kshs.2,467,328.42.

Consequently, the accuracy and completeness of bank balance of Kshs.236,293,207 as at 30 June 2017 could not be confirmed.

7.6 KCB Standing Imprest Account Number

The statement of assets and liabilities reflects bank balance of Kshs.236,293,207 as at 30 June 2017 out of which a nil balance was held at KCB Standing Imprest Account. However, the bank confirmation certificate availed for audit review reflected an amount of Kshs.6,431.03 resulting to unreconciled variance of Kshs.6,431.03

Consequently, the accuracy and completeness of bank balance of Kshs.236,293,207 as at 30 June 2017 could not be confirmed.

7.7 Unsupported Bank Balances

The statement of assets and liabilities reflects bank balance of Kshs.236,293,207 as at 30 June 2017. However, the following bank accounts were not supported with cash books or bank reconciliation statements for the year ended 30 June 2017.

No	Bank	Account details	Amount (Kshs)
1	Equity	Revenue Account	-
2	DTB	Fixed Deposit Account	7,295,945
3	Equity	Ministry of Health (Kepi)	180,916.45
		Total	7,476,861.45

In the circumstance, the accuracy and validity of bank balance amounting to Kshs.7,476,861.45 as at 30 June 2017 could not be confirmed.

8.0 Outstanding Imprest

Note 23 to the financial statements for the year ended 30 June 2017 reflects outstanding imprests of Kshs.8,289,200. The audit revealed the following:

8.1 Variance between Financial Statements and IFMIS balances

Note 23 to the financial statements for the year ended 30 June 2017 reflects outstanding imprests of Kshs.8,289,200. However, the IFMIS report reflected an outstanding imprest of Kshs.5,012,200 thus resulting to variance of Kshs.3,277,000 which has not been reconciled nor explained.

8.2 Long Overdue Imprest Balances

Included in the outstanding imprest of Kshs.8,289,200 as at 30 June 2017 are imprests totaling to Kshs.1,782,500 outstanding for more than six (6) months contrary Section 93 (5) of Public Finance Management (County Government) Regulations, 2015 which provides that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station.

9.0 Other Receipts

9.1 Valuation Roll

As reported in the previous year, the County Executive through department of finance procured the services of a land surveyor at a total cost of Kshs.10,255,250 to prepare a valuation roll for the County to cover the Amu Island and Mpeketoni. During the period under review, the County Executive through the department of Lands Physical Planning, Infrastructure and Urban Development and Water procured services for another valuation roll at a cost of Kshs.10,000,000 to cover Witu, Kibaoni, Hindi, Mukowe and its environs. However, after spending a total of Kshs.20,255,250 for two valuation rolls, the County Assembly has not approved their implementation therefore the value for money was not achieved.

Consequently, the regularity of the expenditure of Kshs.10,000,000 incurred on valuation roll for the year ended 30 June 2017 and the value for money for the entire expenditure of Kshs.20,255,250 could not be ascertained.

9.2 Variance between Receipts in the Financial Statements and Controller of Budget Report

The statement of receipts and payments for the year ended 30 June 2017 reflects other receipts amounting to Kshs.65,109,972 while the report of controller of budget reflects an amount of Kshs.76,960,788 resulting to un explained nor reconciled variance of Kshs.11,850,816.

Consequently, the accuracy and completeness of other receipts of Kshs.65,109,971 for the year ended 30 June 2017 could not be confirmed.

10.0 Budgetary Control and Performance

10.1 Revenue Budget

The statement of receipts and payments reflects a balance of Kshs.65,109,972 in respect of other receipts for the year ended 30 June 2017. According to the approved budget estimates for 2016/2017 financial year, the County Government of Lamu was expected to collect Kshs.84,000,000 from local sources. The receipts of Kshs.65,109,971.70 represent 77.5% of the targeted amount.

It is not clear why the County Government of Lamu could not meet its budgeted revenue target.

10.2 Budget Absorption

The County Executive of Lamu had a total budget of Kshs.3,207,404,934 voted for the financial year 2016/2017, comprising Kshs.1,219,719,734 for development and Kshs.1,987,685,200 for recurrent expenditure while actual expenditure amounted to Kshs.2,912,789,204, resulting to under-absorption of Kshs.294,615,730.34 or 9% of the budget as summarized below:

Item	Approved Budget (Kshs)	Actual Expenditure (Kshs)	Under Absorption (Kshs)	Under Absorption (%)
Development Vote	1,219,719,734	907,241,353	312,478,381	26%
Recurrent Vote	1,987,685,200	2,005,547,851	(17,862,651)	
Total	3,207,404,934	2,912,789,204	294,615,730	9%

The County Executive's overall under-utilization of the budget amounted to Kshs.294,615,730 (9%) thus affecting goods and services delivered to the residents of Lamu.

10.3 Development Vote

Records presented for audit review indicated that Kshs.1,219,719,734 was budgeted under development vote for the year under review. However, as at the end of the financial period on 30 June 2017, only Kshs.907,241,353 had been spent leaving a balance of Kshs.312,478,381 or 26% unutilized contrary to Section 107 of Public Finance Management Act, 2012 that requires the County Executive to adhere to fiscal objectives. The breakdown of the development expenditure is summarized in the table below:

Item	Budget 2016-2017 (Kshs)	Actuals 2016-2017 (Kshs)	Under-Absorption (Kshs)	% Under absorption
Use of goods	44,409,865	10,083,894	34,325,971	77%
Acquisition of assets	1,175,309,869	897,157,459	278,152,410	23.6%
Total	1,219,719,734	907,241,353	312,478,381	25.6%

Therefore, the County Executive did not utilize a total of Kshs.312,478,381 or 25.6% of the County Executive's development budget.

Consequently, the management has not explained why it could not utilize all the funds budgeted for development projects.

10.4 Recurrent Vote

Budget performance under the recurrent budget amounting to Kshs.1,987,685,200, is tabulated below:

Item	Budget 2016-2017 (Kshs)	Actual 2016-2017 (Kshs)	Under-(Over) Expenditure (Kshs)	Percentage %
Compensation of Employees	977,662,118	734,459,597.85	243,202,520.15	24.8
Use of goods and services	684,153,073	686,312,053	(2,158,980)	4.4
Transfers to Other Government Units	71,304,953	431,058,337	(359,753,384)	504.5
Other grants and transfers	130,285,503	122,254,430	8,031,073	6
Social Security Benefits	41,638,504	23,318,737	18,319,767	44
Acquisition of Assets	67,781,187	8,144,695	59,636,492	27
Finance Costs, including Loan	14,859,862		14,859,862	100

Interest				
Total	1,987,685,200	2,005,547,851	(17,862,651)	9

From the above analysis, the County overspent by Kshs.17,862,561 or 9% of the budget as at the end of the financial year and the approval for the same was not availed for audit review.

Consequently, the County Executive was in breach of the law

11.0 Project Implementation

11.1 Projects with Budget Over expenditure

Audit review of the project status report for year ended 30 June 2017 revealed that the County Executive had completed some projects and they were operational. However, the County Executive overspent the budget on these projects as summarized in the table below:

No	Name of Project	Budget (Kshs)	Actual (Kshs)	Variance (Kshs)
1	Construction of Kipunguani sea wall	6,000,000	7,995,288.40	1,995,288.40
2	Construction of 4 door VIP toilet at Hindi	1,300,000	1,473,903.40	173,903.40
3	Construction of Mkokoni sea wall Phase 2	3,000,000	6,989,046	3,989,046
4	Supply,Delivery and Laying of Paving blocks cabro at Siyu- Faza	5,000,000	5,204,432.80	204,432.80
5	Construction of 16 No. tank base installation of water gutter & Plumbing system across the county	2,000,000	3,411,910	1,411,910
6	Sinambio Majembeni Road	10,000,000	10,325,539.50	325,539.50
7	Improvement of Shella village phase 1 cabro	4,000,000	4,178,071.40	178,071.40
8	Proposed Cabro and Baraza at Shella dispensary	3,000,000	3,074,178.40	74,178.40
9	Completion of Matondoni social Hall	3,000,000	6,565,518.80	3,565,518.80
10	Construction of Mkunumbi social Hall	2,000,000	2,842,696	842,696
11	Demarcation & securing land at Kiunga	5,000,000	5,774,480	7774,480
12	Planning Survey of Kiongwe settlement scheme	4,500,000	9,989,920	5,489,920

13	Planning, survey & regularization of squatters on Amu Ranch land in Mkunumbi, Mkinduni, Bahati Njema, Marafa, Juhudi, Salama & Witho	8,000,000	8,900,000	900,000
14	Fresh produce Market at Majembini	5,225,000	7,802,595	2,577,595
15	Honey processing Center at Hindi	2,000,000	2,053,998	53,998
	Total	64,025,000	86,581,577.70	29,556,577.70

The management has not provided justification for excess expenditure of Kshs.29,556,577.70. The approval for over expenditure and variation were availed for audit review.

In the circumstance, the propriety of the expenditure amounting to Kshs.29,556,577.70 as at 30 June 2017 could not be confirmed.

11.2 Project Implementation

Records presented for audit indicate that a total of Kshs.1,219,719,734 was allocated to nine (9) departments to finance one hundred and eighteen (118) projects amounting to Kshs.1,219,719,734 during the year under review. The projects were implemented within the financial period at an absorption of Kshs.907,241,353.08 or 74% of the budgeted amount. Further, it was noted that out of the absorbed funds of Kshs.907,241,353, funds amounting to Kshs.202,965,010.96 was used to finance projects which since completion have never been put in to use as shown in the table below:

11.3.1 Complete Projects but not Operational

No.	Project	Payment as at 30 June 2017 (Kshs)	status
1	Bargoni pipeline extension phase 4 H	15,000,000	Complete but not operational
2	Construction of shanga ECD	1,787,741.54	Complete but not operational
3	Construction of Bahamisi ECD	1,906,895	Complete but not operational
4	Construction of Kwaguyo ECD	1,892,546.96	Complete but not operational
5	Construction of 4 door VIP toilet at Ishakani Dispensary	985,652	Complete but not operational
6	Construction of a type 'O' Dispensary at Bargoni.	3,994,022.68	Complete but not operational
7	Special purpose	107,949,249.68	Complete but not

	grant-king Fahad Renovation and Rehabilitation.		operational
8	Renovation of Mokowe Health Center	24,645,719.60	Complete but not operational
9	Construction of Mpeketoni Market Phase 1 (2015/2016) F.Y	12,394,638.54	Complete but not operational
10	Construction of Mpeketoni Market Phase II (2015/2016)F.Y	7,883,237	Complete but not operational
11	Construction of Mpeketoni Market Phase III (2015/2016) F.Y	2,666,498.96	Complete but not operational
12	Completion of Chalaluma Cattle Dip	1,880,084.40	Complete but not operational
13	Construction of Nagele Livestock Market Phase III	3,944,812	Complete but not operational
14	Establishment of Information center at Kiunga	2,010,529.40	Complete but not operational
15	Establishment of an information center at Mkunumbi	2,010,529.40	Complete but not operational
16	Construction of Kiunga Slaughter House phase II	4,665,745.20	Complete but not operational
17	Construction of Cattle Dip at Pangani	2,874,897.60	Complete but not operational
18	Construction of Vaccination Crushes at Lumshi	1,033,270	Complete but not operational
19	Construction of Maisha masha Grain store	3,438,941	Complete but not operational
	Total	202,965,010.96	

It is not clear whether there was public participation before the projects were implemented.

Consequently, the residents of Lamu did not get value for money spent on projects amounting to Kshs.202,965,010.96 for the year ended 30 June 2017.

11.3.2 Stalled Projects

A total of projects of Kshs.45,916,447 were verified during the audit. However, although Kshs.18,678,895.58 was spent on the projects, the projects stalled at various levels as detailed below:

No	Project	Budget allocation (Kshs)	Payment as at 30 June 2017 (Kshs)	status
1.	Desalination plant in kiunga	20,000,000	2,590,507	80% complete
2.	Repair of myabogi bridge and reclamation	7,018,227	3,927,746.08	60% complete Site abandoned
3.	Construction of perimeter wall at Faza school	7,000,000	2,383,655	45% complete. Contractor not on site
4.	Waste water drainage at Langoni	3,398,220	3,398,220	70% complete. 18Contractor not on site
5.	Construction of fish fingerlings Hatchery at Mpeketoni Phase II	1,500,000	629,996	75% complete. Contractor not on site
6.	Rehabilitation of Ishakani Fish Landing Banda-kiunga	3,000,000	2,580,724.5	65% complete. Contractor not on site
7.	Construction of Honey processing centre at Hindi	2,000,000	2,053,988.80	70% complete. Contractor not on site
8.	Establishment of an information Center at Witu	2,000,000	1,114,058.2	60% complete. Contractor not on site
	Total	45,916,447	18,678,895.58	

The projects were to be implemented and completed within the financial year, however the management has not explained why they have been abandoned and plans for ensuring their completion.

Consequently, the residents of Lamu may not be getting value for money used in the stalled projects.

11.3.3 Unbudgeted Projects

The County Executive did some projects amounting to Kshs.24,275,340.10 and whereby there was no evidence that the same was budgeted for the year 2016/2017 as summarized below:

No	Name of project	Amount (Kshs)
1	Renovation of Kizingitini polytechnic classroom & Houses	12,217,386.90
2	Completion of Kiunga polytechnic	2,000,524.40
3	Construction of Madina ECD	1,106,690
4	Construction of solar freezer store at Kiwayuu	857,564.80
5	Mama Jubilee irrigation project	8,093,174
	Total	24,275,340.10

The management has not explained the sources of the funds for the projects amounting to Kshs.24,275,340.10 and which were not budgeted for year 2016/2017 contrary to Public Finance Act no.18 of 2012 Regulation 44(1) that requires accounting officer to provide the National Treasury with an annual cash flow plan as a requisition for funds needed for that financial year.

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 County Executive's or to cease 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 County Executive's financial reporting process.

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

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

I am independent of County Executive of Lamu in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.



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

Nairobi

16 July 2018