

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Executive of Mandera set out on pages 8 to 25, which comprise the statement of financial assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and a summary statement of comparison of budget and actual amounts: recurrent and development for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters discussed in the Basis of Opinion section, the financial statements represents in all material respects the financial position of the County Executive of Mandera as at 30 June 2017, and of its financial performance and cash flows, in accordance with the International Public Sector Accounting Standards and comply with the Public Finance Management Act, 2012.

In addition, as required by Article 229(6) of the Constitution, except for the matter described in the Qualified Opinion and Other Matter sections of my report, based on the procedures performed, 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. Budgetary Control and Performance

During the financial year under review, the County Executive of Mandera budget was of Kshs.12,020,686,821 comprising recurrent amount of Kshs.4,781,866,139 (39.8%) and Development budget of Kshs.7,238,820,682 (60.2%). Out of the Kshs.7,238,820 budgeted for development expenditure, Kshs.6,309,267,153 was allocated for ongoing projects out of which the County Executive spent Kshs.5,002,620,531.

The budget absorption for the year is as summarized below

Votes	Budget Kshs.	Actual Kshs.	Under Absorption (Kshs.)	Under Absorption (%)
Recurrent	4,781,866,139	4,377,529,398	404,336,741	8.5
Development	7,238,820,682	5,919,606,322		18.2
Total	12,020,686,821	10,297,135,720	1,723,551,101	

The County Executive did not utilize Kshs.1,723,551,101 from the amount budgeted however, the bank statement reflected a bank balance of Kshs.1,646,195,726 as at 30 June 2017. The difference of Kshs.77,355,375 has not been explained or reconciled. No explanation has been given for the underutilization of the budget and for not allocating funds to priority areas to enhance service delivery and avoid instance of idle funds.

2. Fixed Asset Register

The summary of fixed assets register reflects a balance of Kshs16,482,306,740 as at 30 June 2017, which relates to purchase of fixed assets such land, buildings and other civil works, intangible assets, transport equipment such as motor vehicle, furniture and Information communication technology(ICT) equipment which were procured during the financial year under review. The balances and nature of the fixed assets disclosed were not supported with sufficient evidence since the county Government of Mandera did not have an updated fixed asset register as required by section 136 of the Public Finance Management Regulations, 2015.

Further assets inherited from the defunct local authorities have not been disclosed in the fixed asset register.

Under the circumstances, it has not been possible to ascertain the completeness and accuracy of the balances and nature of the fixed assets valued atKshs.16,482,306,740 disclosed in the financial statements as at 30 June 2017.

3. Unaccounted for Specialized Plant and Other Machineries

a) Examination of payment vouchers and other related records revealed that County Executive of Mandera procured radiology equipment for Elwak and Takaba Hospitals at a cost of Kshs.8,349,995

However, Documentation to show the procurement was competitively sourced with a fair market price was not availed for audit review. There were no evidence for that the Goods supplied were inspected upon delivery and taken on charge in the stores ledger.

b) Examination of payment vouchers and other related records revealed that County Executive of Mandera procured oxygen plant for Takaba Hospital at a cost of Kshs.8,600,000

However, there were no documentation to show the procurement was competitively sourced and at the fair market price.

According to the company that was sub-contracted to do the delivery and installation, Nairobi Enterprise Ltd, the Oxygen plant was not installed due to lack of Plant house and three phase power as at the time of delivery, it was not clear why the management did not cater for such expectation when doing requisition, as procurement is to be done with proper analysis of end user needs.

Under the circumstances, where the constitutional requirement of fair competition and price and procurement regulations are not adhered to in the procurements process, the procuring entity(County Executive) may not have gotten value for money of the expenditure worth Kshs.16,949,999 and consequently delay on serving the county residents.

4. Unsupported Medical Insurance Cover

Examination of payment vouchers and supporting documents revealed that contract amounting to Kshs.118,966,462 was awarded to British American Insurance Co. Ltd for staff medical cover for the financial year under review. As at 30 June 2017, an amount of Kshs.19,911,981 had been paid to the company. However, it was observed that the payment was not supported with contract agreement. Although according to the pricing schedule form, the total number of staffs insured were 1176 it was not supported by list of employees as a basis for setting the total premium payable and copy of insurance policy to show terms of reference.

Under the circumstances, the propriety of the expenditure of Kshs.19,911,981 incurred on medical insurance cover could not be ascertained as at 30 June 2017.

5. Renovation and Rehabilitation Works/Services

Examination of payments vouchers, supporting documents and other records held at the County Executive of Mandera revealed that the entity made final payment amounting to Kshs.18,199,970 for renovation of Mandera County Referral Hospital to M/s Zulfa construction Ltd. However, the payment was not supported with certificate of practical completion from the Ministry of Public Works as required.

Consequently, it has not been possible to ascertain that renovations worth Kshs.18,199,970 of Mandera County Referral Hospital was done according to specifications and that the County got value for money in the transaction.

6. Unaccounted for Furniture and General Equipments

Scrutiny of records held at the county Executive of Mandera revealed that during the year under review the Execituve procured office furniture and other equipment such as metallic cabinets totaling Kshs.26,902,364 from various suppliers. However, in some cases the items were received vide S13 counter receipt voucher but not taken on charge in stores ledger, there were no request from the user departments, the unsuccessful bidders were not notified and there was no documentary evidence to show that the items were issued out vide S11. Further, in some cases the payments were not supported by inspection and acceptance report verifying whether the items bought met the required specifications as required.

In the view of the foregoing. The propriety and value for money of the payments of Kshs.26,902,354 could not be confirmed as at 30 June 2017.

7. Unaccounted for Specialized Materials

During the year under review, County Executive of Mandera awarded contracts amounting to Kshs.86,141,437 to suppliers for supply of pharmaceutical and non-pharmaceuticals goods, supply of sterilization machine and laboratory reagents. However, most of the supplies were directly delivered to sub-county health centers and dispensaries by the merchants and delivery notes signed by either nurses, clinical officers or community health workers. The supplies were not taken on charge in stores records and were not issued out vide counter requisition and issue vouchers (SII) as required. Further, there was no evidence to confirm that the items were requested from the user department nor were inspection and acceptance committee certificates made available for audit scrutiny.

Consequently, the propriety and value for money of the expenditure totaling Kshs.86,141,437 could not be confirmed as at 30 June 2017.

8. Training Expenses

A review of the expenditure for training revealed that the County Executive of Mandera incurred an expenditure of Kshs.14,983,500 on training. The payments were however not supported with invitation letters, training programs and attendance register. Further, no written contract agreements were entered between the County Executive and the consultancy firms that were providing the trainings to show that the consultancy firms provided the training services.

In the view of the anomalies, the payment of Kshs.14,983,500 and whether the services were rendered could not be confirmed as at 30 June 2017.

9. Constructions of Civil Works

During the year under review, the County Executive of Mandera spent Kshs.141,218,715 on construction of civil works such as construction of Earth pans. However, the following anomalies were observation : -

- i. There were no contract agreements made between the Executive and the firms contracted to provide the services
- ii. In some cases, there were no tender advertisement notice supporting the payment
- iii. Tender opening registers, Evaluation and tender opening minutes were not availed for audit review
- iv. Inspection and acceptance certificates with the site handling reports were not used to support the payment and were not made available for review to confirm the projects completed effectively
- v. Practical /interim certificates showing that the projects were complete were not made available for audit verification in supporting the payment vouchers

Consequently, the authenticity and vailidity of the payments of Kshs.141,218,715 for construction of civil works could not ascertained as at 30 June 2017.

10. Drought Contingency Services

The Mandera County Executive spent Kshs.22,188,715 on Drought Contingency services such as water tracking services to various settlements within the County. However, the following anomalies were noted;

- i. There was no written contract agreement entered and signed between the County Executive and the firms contracted to provide water tracking services
- ii. Log books and Work tickets showing the movement of motor vehicles supplying water to various centers were not made available for audit review.
- iii. Copy of the vehicles' drivers driving licenses were not used to support the payment to proof the work was done
- iv. The invoices and delivery notes for the water tracking were not provided for audit scrutiny.

Under the circumstances, it has not been possible to confirm that the expenditure of Kshs.22,188,100 incurred on drought contingency was as a proper charge on public funds as at 30 June 2017.

11.0 Unaccounted For Expenditure

11.1 Unaccounted for Fuel

Examination of fuel records revealed that fuel worth Kshs.6,300,000 procured during the financial year had various anomalies. Fuel register was properly maintained as the registration number of the vehicles which purportedly drew the fuel was not reflected, date and litres of fuel drawn and detail order, delivery notes and work tickets number to support the fuel consumption was not recorded. The LPOs against which the fuel was drawn and paid were not recorded in the register. Further, the original work tickets of the vehicles which drew the fuel were not made available for audit scrutiny.

In consequence, the propriety of the expenditure of Kshs.6,300,000 could not be ascertained and the fuel remains unaccounted.

11.2 Unaccounted for General Supplies

Examination of payments vouchers, supporting documents and other records held at the County Executive pertaining to procurement of general supplies totaling Kshs.11,754,000 from various suppliers 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 that they were subsequently issued to the users vide issue notes.

It was also noted that payments were made without inspection and acceptance certificate of the goods supplied upon delivery and inspection by inspection and acceptance committee.

Under the circumstances, the amount of Kshs.11,754,000 purported to have been used for general supplies could not be accounted for as at 30 June 2017

11.3. Unaccounted for Prime Cost and Provisional Sums

Evaluation of bill of quantities for projects funded by Mandera County Executive of Mandera for the year under review shows that prime costs and provisional sum on two (2) projects implemented did not specify the breakdown of works to be done. The following issues were also observed: -

Idow trading company Ltd made provisions for Project Management, Contingencies and Electrical installations works totaling Kshs1,000,000 and Salan Company Ltd did the same for Residence Miscellaneous Account, Contractor's Overhead and Profit, Attendance Engineer's Supervisory Staff totaling Kshs.2,750,000. However, the following observations were made;

- i. There was no full description on project management, Residence Miscellaneous Account and Attendance Engineer's supervisory staff in the bill of quantities after completion of works.
- ii. There was no clarification on what eventually comprise of contingencies figure in the bill of quantities after completion of works
- iii. Complete description of electrical works provisions was not provided.
- iv. In two instances provisional sums were added as a profit component (i.e. contractor's overhead and profit).
- v. The prime and provisional sums were not accounted for.

As a result, the expenditure of Kshs.3,750,000 could not be confirmed as at 30 June 2017.

11.4. Irregular and Unaccounted for Bush Clearing Services

The County Executive of Mandera made payments of Kshs.23,757,747 for procurement of bush clearing services. A review of the records for the expenditure revealed that request for quotation mode of procurement was used in sourcing for service providers, and local service orders used were not acknowledged by the suppliers, neither were contract agreements signed by the parties involved. Payments were made without an inspection and acceptance committee certificate.

In the absence of the contract agreement and the suppliers not acknowledging the local service order, it was not possible to confirm if the services were provided and therefore the authenticity of the payments could not be confirmed.

In view of the foregoing, the propriety and value for money for the expenditure of Kshs.45,561,747 could not be ascertained as at 30 June 2017.

12. Pending Bills

The County Executive of Mandera had accumulated pending bills amounting to Kshs.1,838,968,034 as at 30 June 2017 vide Annex 1 to the financial statements.

However, audit review of the pending bills schedule provided did not indicate the age analysis and therefore it was not possible to ascertain how long the debts had been outstanding. Further, there were no supporting documents such as invoices, demand notices or suppliers' statements provided for audit verification nor approved budget for the bills

In addition, had the bills been paid and charged to the 2016/2017 accounts, the financial statements would have reflected a deficit of Kshs.123,141,992 and not a surplus of Kshs. 1,715,826,042 as shown in the financial statements casting doubts on the authenticity of the pending bills.

Consequently, it has not possible to confirm the accuracy, completeness and validity of the pending bills (accounts payables) of Kshs.1,838,968,034 as at 30June 2017.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County executive of Mandera in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my Qualified Opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion and Other Matters sections of my report, there were no Key Audit Matters to report in the financial year under review

Other Matter

1. Recurrent Expenditure

The actual expenditure on recurrent for the financial year 2016/2017 stood at Kshs.4,377,529,398 against a Recurrent Budget of Kshs.4,781,866,139 resulting into an under absorption of Kshs.404,336,740 of the budget as detailed below;

Departments/Sectors	2016-2017 Budget (a) Kshs.	2016-2017 Actual (b) Kshs.	Under absorption (Budget- Actual) c=a-b Kshs.	% under Absorption D=c/a
County Assembly	700,168,112	572,844,685	127,323,427	18.2%
Agriculture Livestock and Fisheries	148,498,689	148,498,689	0	0%
Education, Culture				

and Sports	422,768,826	324,268,826	98,500,000	23%
Gender, Youth and Social Service	67,419,240	67,419,240	0	0%
Finance, Economic Planning, ICT and Special Program	762,300,470	722,996,469	39,304,001	5%
Health Services	1,074,458,125	1,021,139,659	53,318,466	5%
Trade, Investments Industrializations and Cooperative Development	39,117,869	39,117,869	0	0%
Lands, Housing and Physical Planning	60,511,812	60,511,812	0	0%
Office of the Governor and Deputy Governor	293,675,475	286,980,475	6,695,000	2%
County Public Service Board	63,735,024	63,735,024	0	0%
Public Service, Management and Devolved Unit	558,615,431	536,513,505	22,101,926	4%
Public Works Roads and Transport	125,667,635	121,167,635	4,500,000	3.4%
Water, Environment and Natural Resources	464,929,431	412,335,510	52,593,921	11%
Total	4,781,866,139	4,377,529,398	404,336,741	8%

From the above analysis, it's evident that the County Government underspent on most of the budget lines with Department of County Assembly leading with the highest amount of un- utilized fund amounting to Kshs.127,323,427. This is an indication that funds budgeted to improve the lives of the community were not put into proper use for service delivery hence resulting to idle funds.

The county executive did not give any explanation why the funds budgeted were not fully utilized.

2. Development Expenditure

Development Expenditure by Departments/Sectors

Departments/Sectors	2016-2017 Budget (a) Kshs.	2016-2017 Actual (b) Kshs.	Under absorption(Budget- Actual) c=a-b Kshs.	% under Absorption D=c/a
County Assembly	155,924,818	71,906,463.45	84,018,354.55	53.9%
Agriculture Livestock and Fisheries	422,324,123	316,727,141.11	105,596,975	25%
Education, Culture and Sports	304,951,011	275,348,505.43	29,602,505.57	9.7%
Gender, Youth and Social Service	59,069,286	55,343,902.57	3,725,383.43	6.3%
Finance, Economic Planning, ICT and Special Program	294,569,131	258,752,201.26	35,816,929.74	12.2%
Health Services	830,271,779	783,346,692.41	46,925,026	6%
Trade, Investments Industrializations and Cooperative Development	364,580,097	282,970,490.71	81,609,606.29	22.4%
Lands, Housing and Physical Planning	139,796,155	106,339,700.25	33,456,454.75	23.9%
Office of the Governor and Deputy Governor	-			
County Public Service Board	-			
Public Service, Management and Devolved Unit	204,392,239	147,307,033.46	57,085,205.54	27.9%
Public Works Roads and Transport	2,444,697,665	1,789,175,869.20	655,521,795.8	26.8%
Water, Environment and Natural Resources	2,018,244,379	1,832,388,315.79	185,856,063.21	9.2%
Grand Total	7,238,820,682	5,919,606,322	1,319,214,360	18.22%

The county's overall development budget was Kshs.7,238,820,682 for Financial year 2016/2017. Out of this, an amount of Kshs.5,919,606,322 was spent within the financial year. This represented an absorption rate of 81.8% of the development budget. Overall the County Government did not utilize a total of Kshs.1,319,214,360 representing 18.2% of the County Government development's budget. This has led to idle funds not put into proper use for service delivery.

No explanation has been given for the under absorption of the funds for service delivery to the county residents.

3. Public Participation in the Budgeting Process

During the financial year under review, audit scrutiny of budget process revealed that the County Executive of Mandera placed an advertisement on daily nation on 20 February 2017 inviting members of the public to participate on budget hearing in all the six sub counties, However, no documentary evidence was made available to show that indeed the communities were involved during the budget process. Further as required by regulation all the departments in the county should be involved in submitting their budget proposal estimate to county executive committee before consolidated budget is taken to county assembly for approval. However, no documentary evidence was availed to show that the departments were involved in budget making process is all inclusive

In the view of the foregoing, it has not been possible to ascertain whether the public and the County Government departments had an opportunity to participate in the budget preparation process to reduce wastage.

4. Revenue Undercollection

During the financial year 2016/2017, Mandera county Government had a total receipts of Kshs.10,044,714,658. Out of which total local revenue collected for the year was Kshs.55,843,625 against the county budget of Kshs.265,643,523 as locally generated revenue. Further, this resulted to unexplained revenue shortfall of Kshs.200,799,898 and hence registered a decrease of Kshs.24,175,972(30%) compared to previous financial year's collection of Kshs.80,019,597.00.No explanation was provided for the cause of the decline in the collection of revenue.

5. Stalled Construction

During the financial year 2013-2014, the County Executive of Mandera initiated six flagship projects. Physical verification of the different projects carried out between 6 and 7 December, 2017 revealed that out of the six projects, five projects initiated at contract sums amounting to Kshs.1,207,248,076 by the County Executive of Mandera had stalled and contractors were not on site. Further, project files availed for audit could not ascertain the payments on individual projects as at time of audit because they lacked statement on account.

A tabulated list of the projects and their status is as below:

	Project Title/ Location/ Site	Contractor	Contract Sum Kshs.	Commencem ent date	End date	status
1	Construction of County Headquarters, Mandera. MCG/133/13-14	M/s Green County Construction Co, Box	290,230,790	09/06/2014	26/08/2016	Concrete works to first floor slab. Works have stalled since October 2015. Overall status: - 40% complete.
2	Construction of the Governor's Residence, Mandera. MCG/134/13-14	M/s Seo & Sons Ltd. Box	198,651,920	09/06/2014	26/08/2016	Works have stalled since October 2016. Overall status: - 70% complete.
4	Construction of County Rest House, Mandera. MCG/136/13-14	M/s Diwafa Investments Ltd, Box	293,717,521	09/06/2014	26/08/2016	Works have stalled since October 2016. Overall status: - 80% complete.
5	Construction of County Assembly, Mandera. MCG/137/13-14	M/s Bayan Construction Co. Box 45107 - 00100 Nbi.	229,681,680	09/06/2014	26/08/2016	Works have stalled as at time of audit. Overall status: - 70% complete.
6	Construction of Regional Livestock Market, Mandera.	M/s Lakole Bld. Constr.	194,966,165	Nov/2014	21/10/2016	Works have stalled since October 2016. Overall status: - 40% complete.

The above projects have stalled and therefore have been abandoned by the contactors since they are not on site. No claims for liquidated damages on the projects had been made as at the closure of the financial year. Failure to complete projects results in wastage of public funds and no value for money is achieved in such projects.

No explanation was given as to why these projects have stalled.

6. Unutilized or Idle Projects

During the financial years 2013-2014 and 2014-2015, the County Executive of Mandera implemented and paid for projects amounting to Kshs.93,226,984 as tabulated below;

Name of the projects	Description/Activity	Amount Kshs.

Ward Administration Office	Proposed construction of ward Administration office at Derkale	9,537,543
Ward Administration Office	Proposed construction of ward Administration office at Kiliwehiri	6,012,755
Ward Administration Office	Proposed construction of ward Administration office at Dandu	9,313,176
Ward Administration Office	Proposed construction of ward Administration office at Lagsure	8,515,398
Ward Administration Office	Proposed construction of ward Administration office at Lagsure	8,515,398
Sukela Tinfa Dispensary	Proposed construction of sukela tinfa Dispensary	8,327,918
Wargadud Health Center	Proposed construction Health center	43,004,796
	Total	93,226,984

However, physical verification carried out on 6th and 7th December,2017 established that the Administration Offices and health dispensaries had not been put into use almost two years since they were completed. Further, it was also observed that the projects were not labelled.

Under the circumstances, the county Executive and County residents have not gotten value for money from the Idle projects implemented at a cost of Kshs.93,226,984 as at 30 June 2017

7. Delayed Construction of Accident and Emergency Centre at Mandera Referral and Elwak Hospitals

During the year under review, the County Executive of Mandera advertised two tenders in relation to construction of accident and emergency centers at Elwak and Mandera Referral Hospitals at total cost of Kshs.393,134,730 as follows;

a) Tender for construction of accident and Emergency centre at Elwak Referral Hospital in Mandera North Sub-County, was advertised in the standard newspaper dated 5 April 2016, and addendum on 6 April 2016. Only one bidder was alleged to have submitted abid and thereafter evaluated and awarded the contract, however no tender opening minutes and register was availed for audit review.

Further, the project was expected to be completed on 3 March 2017 according to contract agreement dated 3 June 2016, and as at the time of audit on 7December 2017 the project was still on going and there was no extension for the same.

b) Tender for construction of accident and Emergency centre at Mandera Referral Hospital in Mandera County, was advertised in the standard newspaper dated 15 May 2016.

However, only one bidder was alleged to have submitted bid and thereafter evaluated and awarded the contract. It was noted that there were no tender opening minutes and register to confirm the same.

The contract agreement was entered on 3 June 2016 and was valid up to 3 March 2017, However, physical verification carried on 11 December 2017 revealed that the project was still on going and behind schedule there were no extension availed for audit review.

In view the anomalies and due to delays, the project may not be completed within the stipulated time and it may attract variations in case the cost of construction increases in the future than the contracted amount of Kshs.393.134,730 as at 30 June 2017

8. Substandard Construction Works

During the financial year 2013-2014 County Executive of Mandera awarded a contract amounting to Kshs.55,622,024 for construction of diagnostic center at Takaba Sub-County and Theater block at Banissa Sub-County. The following observation were made:

a) Construction of Diagnostic Center at Takaba Sub-County-Kshs 34,490,815

During the financial year 2013-2014, the County Government of Mandera awarded the tender to M/s Warda Holdings limited for construction of Medical Diagnostic center at Takaba Sub County at a contract sum of Kshs.34,490,815. However Physical verification done between 6 and 7 of December, 2017 revealed the following: -

- i. The contractor did not include the drainage system that is used to get rid of human waste and other waste thus making it difficult for the user department to use the facility
- ii. Plumbing works was not done as per the bill of quantity
- iii. The walls had cracks and the floors tiles were peeling off.
- iv. Due to poor workmanship the concrete roof slab roofing made the facility not fit for use, as it was leaking during the rainy season.

b) Construction of Theatre Block at Banissa Sub-County

The County Government of Mandera awarded a tender to m/s Easy time Kenya ltd at a contract sum of Kshs.21,131,209. However, scrutiny of bill of quantity and physical verification done between 6 and 7 of December, 2017 revealed the following: -

- i. Plumbing works was not done as per the bill of quantity

- ii. Drainage system was not done as per the bill of quantity
- iii. The provision for roofing was not included the bill of quantity

Consequently, the substandard structures could not be utilized for the intended purposes hence there is no value for money for the funds of Kshs.55,622,024 that has been used on the projects as at 30 June 2017.

9. Supply, Delivery and Transportation of Emergency Relief Food –

Examination of payment vouchers and other related records revealed that County Executive of Mandera procured foodstuffs worth Kshs.479,055,189 which were transported to various Internally displaced persons (IDPS), camps at an extra cost of Kshs.22,384,188 during the financial year under review. However, the following anomalies were observed: -

- i. There were no way bills to show transportation of food from point of purchase to
- ii. the storage at cereal boards Mandera.
- iii. Certificate of analysis from KEBS and Public Health was not available to confirm suitability of the food for human consumption as per the contract agreement condition one (covenant section ii).
- iv. There was no documentary evidence to show County Executive inspected the food stores and weighed the bags to ascertain actual weight, the quality of food and hygiene of the area.
- v. The waybills did not indicate the number of the kilometers covered by the vehicles to their destinations or points of delivery so as to ascertain the transportation costs.

Consequently, foodstuffs may not reached the intended beneficiaries and accounted for as at 30 June 2017.

10. Compensation of Employees

The statement of receipts and payments under compensation of employees reflects expenditure totaling Kshs.1,514,045,660 for the year ended 30 June 2017. Details of payrolls and other emolument payment schedules revealed the following anomalies:

- i) A review of Payroll data revealed that there was one (1) officer who has been paid acting allowance for more than 6 months amounting to Kshs.10,008 yet the Government of Kenya human Resource Policies and Manual 2015 section C.14 (1) indicates that acting allowance will not be payable to an officer for more than six (6) months continuously.

Payroll number	Surname	First name	Other names	Edcode	Amount Kshs.
20140113051	Issak	Harun	Mohamed	806	2502

ii) Analysis of staff register data revealed that one (1) officer was employed on pensionable terms when he was fifty-four (54) years old. According to Pensions Act Cap.189, appointment to the pensionable establishment should normally be restricted to officers who will be in a position to offer at least ten (10) years' service in order to qualify for the grant of a pension before reaching the age of compulsory retirement.

Payroll number	Name	Birthdate	Date hired	Age at employment	Engage code
20130037642	Mr Duale Bashir Jaffar	9/1/1959	10/18/2013	54	3

iii) Analysis of the payroll revealed, three (3) employees were still in employment although they had attained the mandatory retirement age of 60 years, which is contrary to Government regulations.

Payrollnum	Name	Birthdate	Jobgroup	Jun-17	Age	Engagecode	Detachcode	Designame
1980004343	Mr Alio Kontuma Hillow	7/1/1956	E	6/30/2017	61	3	0	Artisan Grade[3] - Building
19910010641	Mr Hache Nura Issack	1/1/1956	A	6/30/2017	62	3	0	Askari[1]
20030000205	Mr Barrow Adan Ibrahim	11/1/1956	J	6/30/2017	61	3	0	Administrative Officer[2]

iv) Further, analysis of the IPPD revealed that one (1) officer had Tax Personal Identification Number incorrectly captured.

Payrollnum	Idnum	Taxpin	Salute	Surname	Firstname
2010159306	24738070	A000000000L	Miss	Mahad	Nurow

v) As at 30 June 2017, fifty-nine (59) officers in Job Group B and above were on temporary establishment. However, verification from a sample of personal files revealed that most of these employees were on permanent and pensionable terms but the staff register was not updated to reflect the same.

vi) The staff register for the month of June 2017 revealed that nine hundred and ninety-one (991) employees were on probation yet they were in employment for more than one year. Further, review of personnel files revealed that some of these officers had been confirmed but the staff register was not updated to reflect the same.

No reason was given for not instituting a proper and adequate controls in the Human Resource Department to avoid irregular payments.

11. Lack of an Internal Audit and Audit Committee

A review of the overall Internal control environment of County Executive of Mandera as at the time of Audit revealed that Internal Audit department of Mandera County executive was not functional. There were no Audit Committee constituted contrary to the public Finance Management Act,2012 and section 167(1) of Public Finance Management Regulations,2015 which requires County Governments to establish an audit committee.

If there is no Committee the Management can easily override controls in such instances, cases of fraud and errors may not be detected and corrected in a timely manner. Consequently, the county Government of Mandera is operating without Audit Committee in contravention of the law.

12. Information Communication Technology (ICT) Environment

A 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.

Further, formally documented and approved processes to manage upgrades made to all financial / performance information systems were not provided for audit review.

Under the circumstances, the organization may fail to undertake adequate measures to safeguard its resources in the event of unforeseen disasters. Furthermore, it results to lack of a consistent approach towards the addressing of and handling ICT issues due to lack of ICT Policy.

Consequently, data integrity could not be confirmed.

13. Unresolved Prior Year Matters

Issues previously reported in the financial year 2015-2016, remain unresolved as at the time audit 11 December 2017.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IPSAS 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 entity's ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using going concern accounting assumption unless the Government either intends 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 Executives' 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 Assembly's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County 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

11 May 2018