

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF SIAYA 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 Siaya set out on pages 8 to 49, which comprise the statement of receipts and payments, statement of financial assets and liabilities as at 30 June 2017, statement of cash flows and the 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, 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 described in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position 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).

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. Control Environment

1.1. Audit Committee

The County Executive of Siaya has not established an audit committee contrary to Section 155 of the Public Finance Management Act, 2012 and Section 167(1) of the Public Finance Management (County Government) Regulations, 2015 which require each County Government entity to establish an audit committee to oversee governance and promote transparency in the management of the County's resources. The management is therefore in breach of the law.

2. Acquisition of Assets

2.1. Purchase of Fire Engines

Included in acquisition of assets balance of Kshs.2,105,940,073 is an amount of Kshs.144,045,794 under purchase of specialized plant, equipment and machines. The

County government of Siaya budgeted to procure two fire engines at Kshs.113,614,091. This budget was fully funded but analysis of the IFMIS payments details revealed that an amount of Kshs.83,955,734 was spent on procurement of the fire engine. However the difference between the amount funded of Kshs.113,614,091 and the amount spent of Kshs.83,955,734 amounting to Kshs.29,658,357 was not accounted for.

Consequently, the management has not explained how the balance of Kshs.29,658,357 which had been disbursed out of the Kshs.113,614,091 was utilized.

2.2. Detailed Design, Construction, Supervision for the Proposed Siaya County Headquarters

Included in the acquisition of assets balance of Kshs.2,105,940,073 is Kshs.556,345,805 in respect of construction of non-residential building out of which Kshs.21,063,000 (32,410,865 – 2016) was paid to a consultant. The management entered into a contract agreement with a consultant for design, construction, and supervision for the proposed Siaya County Headquarters. The following anomalies were observed:

- i. The contract agreement between consultant and County Executive of Siaya was not dated.
- ii. No inspection and acceptance committee report was availed for our audit examination to justify the payment of Kshs.21,063,000.
- iii. No title deed for the parcel of land for which the project was to be carried out was availed for our audit verification.
- iv. Despite the County Executive of Siaya initiating the project as a flagship project in 2013/2014 financial year, the proposed project has not been fully implemented.

Consequently, the propriety and legality of the expenditure of Kshs.21,063,000 for the year ended 30 June 2017 could not be confirmed.

2.3. Painting Works

Included in the acquisition of assets balance of Kshs.2,105,940,073 is Kshs.12,806,726 in respect of refurbishment of building out of which Kshs.1,656,723 was paid to Nambole General Traders for painting works to visitors' lounge, perimeter wall fence, powerhouse, water tower, external car security box and gates for governor's headquarters. The following anomalies were noted:

- a) The contract agreement had not been signed, it was therefore not possible to ascertain how Nambole General Traders were appointed.

- b) The contractor had done only one paint coat on the wall and fence.
- c) The toilets and car parks that had been painted were not in use at the time of audit verification.
- d) No appointment letters for the inspection and acceptance committee were availed for audit verification.
- e) The contractor was fully paid the contract sum of Kshs.1,656,723 without completing the works. Payments should be made when work is fully confirmed completed.

Consequently, the propriety and legality of the expenditure of Kshs.1,656,723 for the year ended 30 June 2017 cannot be confirmed.

2.4. Renovation and Refurbishment of Siaya Referral Hospital

Included in the acquisition of assets balance of Kshs.2,105,940,073 is Kshs.556,345,805 in respect of construction of non-residential buildings (schools and hospital buildings) out of which Kshs.51,222,466 was paid for renovation and refurbishment of Siaya Referral Hospital whose contract sum was agreed at Kshs.119,827,631. However, the following anomalies were observed.

- i) According to the bid document clause 6.5 within 21 days after the receipt of the award the successful tenderer must present a valid performance security during the contract period. However, a performance security of 7.5% of the contract sum as per conditions of contract had expired which was supposed to be Kshs.8,900,000.
- ii) The works at male, female ward such as doors, all ceilings, asbestos roofs at the kitchen and amenity were not replaced.
- iii) Not all walkways were scraped to original form and wall tiles were falling in the outpatient lavatory while the project has not been fully completed.

Consequently, the propriety and legality of the expenditure of Kshs.51,222,466 for the year ended 30 June 2017 cannot be confirmed.

2.5. Construction of Roads

Included in the acquisition of assets balance of Kshs.2,105,940,073 is Kshs.947,660,781 in respect of construction of roads. However, examination of the sampled project files and verification of the road projects revealed the following;

	Project	Contractor	Amount (Kshs)	Findings

1	Lieta-Mumbo Road	Stardicon Investments Ltd	2,314,813	The BQ indicated the sign post at Kshs.40,000 yet the interim payment certificate valued it at Kshs.187,000.
2	Kochino Kamalango Rd	Tanga Enterprises Ltd	2,055,321	<ul style="list-style-type: none"> - The bill board for the project clearly indicated that the road was done in 2015/2016 and not 2016/2017. - The BQ reflected the sign post at Kshs.40,000 yet the interim payment certificate valued it at Kshs.187,000.
3	Ndigwa - Buru R/d	Hip-Star Investments Co. Ltd	1,849,189	-
4	Bondo Kwach -Yala Road and Bondo Rd market ring road	Voacom Networks	1,500,000	<ul style="list-style-type: none"> - No sign post on the site. - No Culvert was installed yet paid for as per the interim certificate and the inspection and acceptance committee report.
5	Usenge – Forest Road	Dynacart Agencis Ltd	2,543,190	<ul style="list-style-type: none"> - The road has not been opened. - The County Government and the residents are still in disagreement as regards where the road should pass. - Despite of all these an inspection and acceptance report, an interim payment certificate and invoice have been filed and payment made.
6	Usenge Kemenya – Uhanya R/d	Voacom Ltd	4,000,000	<ul style="list-style-type: none"> - The BQ was not specific with measurement of the road. - Grading works worth Kshs.1,508,716 done but no culverts were installed which were to cost Kshs.800,400
7	Warianda-Pry – Serawongo Pry road	Voacom Networks ltd	3,000,000	<ul style="list-style-type: none"> - Only dozer works worth Kshs.420,00 had been done - BQ not specific on distance to be covered.
8	Anyuongi-Ouyo	Voacom Enterprises Ltd	1,200,000	<p>Only Grading works had been done.</p> <p>The BQ was not clear on distance to be covered.</p>

	Total		18,462,513
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Furthermore it was not clear as to why:

- In one instance inspection, acceptance and interim payment certificate were issued for works not done.
- The composition of the inspection and acceptance committee does not include any community member.
- No appointment letters for inspection and acceptance committee were availed for audit.

In some cases partial works were carried out as detailed above.

2.6. Construction of Fish Bandas and Usenge Jetty

i) Construction of Fish Banda at Mitundu Beach in Mageta

Included in the acquisition of assets figure of Kshs.2,105,940,073 is Kshs.328,240,073 in respect of other infrastructure and civil works which in turn includes Kshs.773,372 in respect of construction of Fish Banda at Mitundu beach in Mageta. However, at the time of audit verification on 18 January 2018, Kshs.773,372 had been paid for construction of a fish banda at Mitundu beach. However the works had been abandoned.

The contract period had elapsed as the start date was 4 November 2016 and the completion date was 12 January 2017.

The walls and lintels had collapsed indicating that the works were poorly done.

ii) Construction of a Fish Banda and two (2) Door Latrine at Kuoyo Beach

Included in the acquisition of assets figure of Kshs.2,105,940,073 is Kshs.328,240,073 in respect of other infrastructure and civil works which in turn includes Kshs.649,113 in respect of construction of fish banda and two (2) door latrines at Kuoyo beach. However, at the time of audit verification on 18 January 2018 Kshs.649,113 had been paid. However the works had been abandoned.

The contract period had elapsed as the start date was 4 November 2016 and the completion date was 12 January 2017. The walls and lintels had collapsed indicating that the works were poorly done and no public participation was carried out while the toilet was not in place.

The inspection and acceptance report indicated that the works were expertly done which was not the case on the ground. The inspection and acceptance committee did not include a technical person.

iii) Construction of Usenge Jetty

Included in the acquisition of assets figure of Kshs.2,105,940,073 is Kshs.328,240,073 in respect of other infrastructure and civil works which in turn includes Kshs.1,499,000 in respect of construction of Usenge Jetty. However, upon physical verification it was observed that;

- Hard core fill was not compacted as required in the BQ.
- Pictures in the project file did not match that was physically on the ground.
- The inspection and acceptance report indicated that the works were satisfactorily done which was not the case on the ground upon physical verification.

Consequently, the county breached the procurement law and the propriety of the expenditure of Kshs.2,921,485 for the year ended 30 June 2017 could not be ascertained.

2.7. Provision of Wide Area Network Connectivity and Internet Bandwidth

Included in the acquisition of assets figure of Kshs.2,105,940,073 is Kshs.328,240,073 in respect of other infrastructure and civil works which in turn includes Kshs.18,002,002 in respect of provision of wide area network (WAN) connectivity and internet bandwidth. The County Government contracted a local firm for provision of a WAN connectivity and internet bandwidth at a contact sum of Kshs.108,012,012 payable in six equal instalments of Kshs.18,002,002 annually. However the following anomalies were noted;

- There are similar infrastructures in the county offered by other telecommunication service providers such as Safaricom and Telkom and therefore it was not clear as to why the County management had to invest in the same with a new company instead of utilizing the already existing ones.
- The national Government is in the process of doing a similar project for the entire country and therefore expenditure on a similar project by the county Government may amount to duplication of resources.

Consequently, the propriety of the expenditure of Kshs.18,002,002 and whether the residents of the County received value for money from the project cannot be confirmed.

2.8. Construction of Irrigation Projects

Included in the acquisition of assets balance of Kshs.2,105,940,073 is Kshs.328,240,073 in respect of other infrastructure and civil works which in turn included Kshs.13,683,628 in respect of construction of irrigation project in South Uyoma, North Uyoma, West Uyoma and West Asembo. However, the following anomalies were noted;

- Feasibility studies were not done before implementing the project.

- These schemes were done on private land.
- They are all not operational and therefore the county did not achieve value for money on this expenditure.

Consequently, the propriety of the expenditure of Kshs.13,683,628 cannot be confirmed.

2.9. Civil Works and Renovations in County Hospital Facilities

2.9.1. Ukwala Sub County Hospital

Included in the acquisition of assets figure of Kshs.2,105,940,073 is Kshs.328,240,073 under other infrastructure and civil works which in turn includes Kshs.3,617,250 in respect of renovation of Ukwala Sub County Hospital. However, on physical verification it was observed that;

- The administration block floor was changed to tile floor but the works were not included in the bills of quantity.
- The outpatient floors were undone though specified to be done in the bills of quantity.
- The roofs were done but 30' gauge iron sheets were used instead of 28' gauge which was specified in the bills of quantity. The gutters and the drainage systems were also not done.
- The contractor was not on site at the time of audit verification on 18 January 2018.

Consequently, the residents of the County may not have obtained value for money from the project and the propriety of Kshs.3,617,250 expenditure incurred on the renovation cannot be confirmed.

2.9.2. Completion of Maternity Block At Bondo Sub-County Hospital

Included in the acquisition of assets figure of Kshs.2,105,940,073 is Kshs.328,240,073 under other infrastructure and civil works which in turn includes Kshs.14,045,265 in respect of completion of maternity block at Bondo Sub-county Hospital. However, the following anomalies were noted;

- Hardboard double doors were fixed instead of hardwood panel doors. The roofs were leaking. Locally made steal doors were also not of British standard as specified in the bills of quantity.
- The engineers summary of the work done differ with what was reported by the inspection and acceptance team.

- iii) The contractor did not put a request to use provisional sums amounting Kshs.300,000. However, the amount was utilized as provisional sum.
- iv) The contractor was not on site.
- v) The project is yet to be completed.

Consequently, the propriety of the expenditure of Kshs.14,045,265 and whether the residents of the County received value for money from the project cannot be confirmed.

2.9.3. Construction of Nyang'oma Maternity Wing

Included in the Acquisition of Assets figure of Kshs.2,105,940,073 is 328,240,073 under other infrastructure and civil works which in turn includes Kshs.1,000,000 in respect of construction of Nyang'oma maternity wing. However, it was noted that the internal walling had been done with bricks mixed with stones, yet the bills of quantity specified stones only.

Consequently, the propriety of the expenditure of Kshs.1,000,000 and whether the residents of the county received value for money from the project cannot be confirmed.

2.10. Civil Works in the Trade Sector

2.10.1. Construction of Modern Market Yala Township

Included in the acquisition of assets figure of Kshs.2,105,940,073 is Kshs.328,240,073 under other infrastructure and civil works which in turn includes Kshs.3,946,417 in respect of construction of modern market Yala Township. However the following anomalies were noted:

- i) No NEMA certificate was availed for audit verification. However, the market is sited near a swamp area and the site is also not secured.
- ii) The project has stagnated while the contractor was not on site.

2.10.2. Construction of Business Hub at Siaya Township

Other infrastructure and civil works also include Kshs.2,500,000 for construction of a business hub at Siaya Township. However, a payment of Kshs.2,500,000 was made to Wapo Enterprises Ltd for construction of a business hub and the County management has not proved ownership of the land on which the business hub is constructed and the architectural drawings were also not availed. The project would have been overpriced since the BoQ specification were ignored and for instance the iron sheets used were 30' gauge instead of 28' gauge, and floors were of cement

finishing instead of tiles as indicated in the BOQ. In addition, steel work and wooden benches were not done as specified in the bills of quantity.

2.10.3. Construction of Modern Market at Ramba

Other infrastructure and civil works also include Kshs.2,229,062 for construction of modern market at Ramba and a payment was made to Togoland Investments of Kshs.2,229,062 for a modern market being put up at Ramba market. However, the progress seen on the ground is not commensurate with the amount paid. Further, at the time of audit verification in 18 January 2018 the contractor was not on site. The inspection and acceptance certificate indicate that a substructure and a superstructure were done for the modern market but only a very small hoarded structure was noted during physical verification and also ownership of the land on which the structure stand was not ascertained.

Consequently, the propriety of the expenditure of Kshs.3,946,417 and whether the residents of the County received value for money from the project cannot be confirmed.

2.11. Landscaping at the Governor's Office Compound

Included in the acquisition of assets figure of Kshs.2,105,940,073 is Kshs.328,240,073 under other infrastructure and civil works which in turn includes Kshs.620,560 in respect of the landscaping at the Governor's office compound. However the following anomalies were noted;

- iii) During the financial year 2015/2016 a contractor had been paid Kshs.4,284,601 to carry out the works at a contract sum of Kshs.4,982,200.
- iv) At same time Siaya County Umbrella Association (SCUA) was contracted to put up ordinary and executive car park shades at a cost of Kshs.2,820,784 on the same compound. However, Gard Consult services who started this works after construction of the car shades demolished the car park shade next to the main gate during the landscaping process.
- v) Physical verification of the landscaping on 9 January 2018 revealed that the landscaping had been partially done yet the contractor had been fully paid the total contract sum of Kshs.4,982,200.

In view of the foregoing, it has not been possible to confirm the propriety of the expenditure of Kshs.4,982,200 for the year ended 30 June 2017.

3. Other Grants and Transfers

3.1. Direct Procurement of Maize

Included in the other grants and transfers figure of Kshs.256,761,177 is Kshs.106,382,000 in respect of emergency relief and refugee assistance which in turn includes Kshs.95,122,000 which paid for procurement of maize. However, the County Government of Siaya procured maize from three suppliers through direct procurement totaling Kshs.95,122,000 for distribution to Siaya residents to mitigate on the effects of famine.

The following anomalies were noted;

- i) The County Government of Siaya did not comply with section 103 sub section 1 and 2 of the Public Procurement and Disposal Act 2015. The County had correspondences from National Cereals and Produce Board on the availability of maize yet the direct procurement of maize worth Kshs.86,622,000 was carried out in mid -June 2017 while the county had information on famine in March 2017.
- ii) The County Government of Siaya wrote directly to two suppliers requesting them to quote the cost of maize thus flouting Public Procurement and Asset Disposal Act 2015 section 103 sub-section 2 (a)
- iii) The County Government procured the maize as famine relief yet they did not have an emergency fund in operation.

Consequently, the County breached the law and the propriety of the expenditure of Kshs.95,122,000 for the year ended 30 June 2017 could not be confirmed.

3.2. Emergency Relief and Refugee Assistance

Included in other grants and transfer balance of Kshs.256,761,177 is Kshs.106,382,000 in respect of emergency relief and refugee assistance. However, the expenditure did not meet the criteria set in the Public Finance Management Act, 2012 and Regulations 2015 regarding the establishment and use of emergency funds.

Consequently, the management breached the law and regulations governing emergency expenditure.

3.3. Subsidies to Small Business Cooperatives and Self Employed

Included in other grants and transfer balance of Kshs.256,761,177 is Kshs.75,379,577 in respect of subsidies to small business, cooperatives and self-employed. However, the expenditure did not meet the criteria set in the Public Finance Management Act, 2012 and Regulations 2015 regarding the establishment and use of the fund.

Consequently, the management breached the law and regulations governing subsidies to small business, cooperatives and self-employed.

4. Use of Goods and Services

4.1. Payments to Insurance Providers

Included in the use of goods and services balance of Kshs.1,024,732,787 is Kshs.54,177,907 in respect of insurance cost out of which Kshs.8,794,620 was paid to two insurance providers. However, the following anomalies were observed;

- a) No valid reasons were given for the extension of the above services from the middle of October 2016 to the middle of December 2016 since the county government of Siaya knew well in advance that the contracts were to expire in October 2016 as per the contract documents/policy document.
- b) The insurance policies for the extended period were not availed for audit verification.
- c) No tender committee minutes were availed for our audit to confirm that the extension of the contract periods was approved.

Consequently, the propriety and legality of the expenditure of Kshs.8,794,620 for the year ended 30 June 2017 cannot be confirmed.

4.2. Payments to Council of Governors

Included in the use of goods and services balance of Kshs.1,024,732,787 is Kshs.24,372,453 which was charged to different vote heads in respect of Council of Governors.

Further, section 19 of Inter-Governmental Relations Act, 2012 stipulates that the Council of Governors should be financed through the annual estimates of the revenue and expenditure of the National Government.

Consequently, the management breached the law and the propriety of the expenditure of Kshs.24,372,453 cannot be confirmed.

4.3. Domestic Travelling Claims

Included in the use of goods and services figure of Kshs.1,024,732,787 is Kshs.159,513,309 in respect of domestic travelling subsistence which in turn includes Kshs.22,982,650 being reimbursement made for night out and transport allowances to staff members for various trainings in Kisumu. However, no proper supporting documents such as attendance registers, acknowledgement of receipt of cash due to officers and honorable members were availed for audit review. The expenses for the

venue where the courses were held were also not indicated and there was no approval or explanation on how the county government settled on those hotels outside the duty station.

Consequently, the propriety of the expenditure of Kshs.22,982,650 incurred on domestic and subsistence expenses in the year ended 30 June 2017 could not be confirmed.

4.4. Unsupported Payments to Suppliers/Contractors

Included in the use of goods and services figure of Kshs.1,024,732,787 is Kshs.4,295,885 for procured from various suppliers as shown below:

Cash Book Voucher No. & Date	Payee	Details	Amount (Kshs)
1250 of 4/11/2016	Vero Investment	Payment for cleaning services as per LSO NO. 1022807, Inv. No. 39 of 9/9/16, letter of acceptance dated 14/10/14, notification of award reference number SYA/CG/SCM/TENDER/AWARD/2014/2015/VOL.1 (16) dated 14/10/14 and contract agreement dated 16/10/14	1,190,275
0624 of 3/10/16	Rouzehen Investment Ltd	Payment for the supply of uniforms to enforcement officers as per LPO numbers 2282703 and 2282702, Invoice number 0488 0487 of 8/09/16, acceptance letter reference ROUZ/CGS/UNIFORMS of 27/5/2016, notification of award reference CGS/SCM/Q/AWARDS/2015/2016 of 25/05/2016, Evaluation minutes of 24/5/2016 and quotations	1,942,304
1273 of 4/11/16	Chrinmart Enterprises	Payment for event management as per LSO number 1034250, letter of acceptance reference number CGS/SCM/2016/2017/03 of 5/08/16 and notification of award CGS/SCM/2016/2017/03 OF 2/08/2016	1,163,306
		Grand Total	4,295,885

However, the following anomalies were noted.

4.4.1. Cleaning Services Payment

- i. No explanation was availed as to why the local service order number 1022807 the contractor was to be paid part payment from January 2016 to August 2016 for Kshs.1,190,275 yet as per the invoice number 39 of 9/9/2016, the contractor requested for payment as from January 2016 to June 2016.
- ii. No inspection and acceptance report was availed for our audit to confirm as to whether the contractor actually carried out the services of cleaning.
- iii. The contract agreement was vague since it did not have time lines as to which duration the cleaning services were to be carried out.
- iv. As per the terms of the contract agreement, the contractor was to offer within thirty (30) days of the receipt of the notification of contract award a performance security but none was availed for our audit verification.

4.4.2. Event Management

- i. No support documents were availed for our audit examination to confirm as who took 150 VIP meals worth Kshs.165,000, ordinary meals for 60 people worth Kshs.419,250, security worth Kshs.120,000, publicity and mobilization worth Kshs.120,000 and transport worth Kshs.96,000.
- ii. No invoice from the supplier was availed for our audit examination.
As per letter of award reference number CGS/SCM/2016/2017/03 dated 2 August 2016 the item of security was quoted at 100 people for 12,000 while the examination of the local service order number 1034250 it was noted that the contractor offered eight (8) tents and eight hundred chairs (800) which translates to one hundred chairs per tent and thus for eight tents we had only eight hundred people. This therefore will translate to eight (8) security officers who could have been paid Kshs.96,000 (8*12,000) and not Kshs.120,000 hence we had an over payment of Kshs.24,000 made to the supplier for no services rendered.

4.4.3. Supply of Uniforms

- i. No counter receipt voucher (form S13) was raised to receive the uniforms.
- ii. No inspection and acceptance report was availed for our audit examination to confirm that the uniforms conformed to what was required as per the order.
- iii. The uniforms were not entered into the stores records and subsequently issued out to the point of use by raising counter issue notes.

Consequently, the propriety of Kshs.4,295,885 expenditure for the year ended 30 June could not be confirmed.

4.5. Payment of Legal Fees

Included in the use of goods and services figure of Kshs.1,024,732,787 is Kshs.170,494,090 in respect of other operating expenses which in turn includes Kshs.20,000,000. However the following anomalies were observed: No documents were availed to show how the advocate arrived at Kshs.4,860,000,000 i.e. value of subject in question on which the legal fee was based on. The attached letter from IBERAFRICA POWER Ltd only indicated the approximate cost of the project that was to be implemented and not the value of the subject.

Consequently, the propriety of the expenditure of Kshs.20,000,000 cannot be confirmed.

5. Outstanding Imprest

Note 23 to the financial statements reflects outstanding imprest of Kshs.69,745,715. However, the figures in the financial statement of Kshs.69,745,715 while the figure extracted from the IFMIS report is Kshs.595,186,369 in respect of receivables resulting to unexplained difference or unreconciled balance of Kshs.525,440,654. It was not clear as to how this figure was arrived at as scrutiny of the imprest register revealed that individual outstanding balances in the register were not in agreement with those disclosed in the financial statements.

Furthermore, imprest issued and surrendered amounting to Kshs.11,528,100 was not adequately supported with relevant supporting documents. Also, it was noted that twenty seven (27) officers were holding imprest above Kshs.500,000 each, all totaling to Kshs.62,626,905 which has not been accounted for as at 30 June 2017.

Name	Amount Kshs.
Joseph Omondi Onyango	14,232,500.00
Edward Otieno Onyango	7,560,000.00
Denis Simiyu	7,093,700.00
Christine Hasuwo Muganda	4,069,213.00
Alfred Dietoh Abomah	2,454,400.00
Kennedy Japheth Oreyo	1,943,500.00
Josephine Awour	1,790,000.00
Wilfred Kokwako	1,780,000.00
Dr Eunice Achieng	1,683,350.00
Emmanuel Godfrey Ndege	1,498,000.00
Kigsley Otieno Job	1,150,000.00
Fredrick Okello Oduor	1,150,000.00
Jaako Oburu	1,125,992.00
Narshon Omondi	1,021,000.00

Mary Onyango	974,100.00
Joe Donde	900,400.00
Collins Owino	850,000.00
Jacob Ochieng Oduor	745,600.00
Elizabeth Akinyi Onyango	620,650.00
Kibet Rono	607,400.00
Florence Awino Obonyo	600,500.00
Joseph Onyango Ogutu	570,000.00
Edward Mwatha	560,500.00
Sylvester Oluk	525,200.00
Total	62,626,905.00

Under the circumstance, the management breached financial regulations, further recovery of the outstanding imprest is doubtful.

6. Fixed Asset Register

The statement of receipts and payments as disclosed in Note 18 to the financial statements and Annex 4 to the accounts reflects acquisition of assets totaling Kshs.2,105,940,073 (2015/2016: Kshs.1,701,858,355) which in turn includes Kshs.9,192,606 for purchase of office furniture and general equipment's.

However the following anomalies were observed:

- i) The procured assets were not entered in the stores records and stores ledger cards.
- ii) These equipment's were also not tagged with unique identification numbers.
- iii) The management does not maintain an asset register of assets that is updated and accurate as required by section 149 of the Public Finance management Act 2012 and its accompanying regulations.

In addition, the Inter-governmental Relations Technical Committee which succeed the Transition Authority is yet to formally hand over the assets and liabilities to the County government.

7. Revenue

Included in the statement of receipts and payments under total revenues of Kshs.5,874,524,721 is Kshs.172,822,681 under other receipts and Kshs.91,669,000 under proceeds from domestic grants. However the county Government did not maintain proper records for recording and accounting for revenue such as counter foil receipt book, register, collection control sheets and miscellaneous receipts to acknowledge receipt of all revenues received contrary to the Public Financial Management Act section 63(1) subsection c. Further, it was observed that the management had reflected in the financial statement that it had collected

Kshs.172,822,681 in form of other revenue. However, the bank statement and cash book reflected an amount of Kshs.167,119,038 thereby creating an unexplained difference of Kshs.5,703,642. No explanation was offered for the difference.

8. Cash and Bank Balance

The cash and cash equivalents balance of Kshs.521,704,432 which includes the Central Bank of Kenya (CBK) development account balance of Kshs.73,038 and balances of other bank accounts was noted to have the following anomalies;

- i) The cashbooks for all bank accounts could not be generated in the Integrated Financial Management Information Systems (IFMIS) platform.
- ii) The development bank account bank reconciliation statement as at 30 June 2017 is not properly prepared as the difference of unpresented cheques totaling Kshs.97,144,430 in May 2017 and the reversals of Kshs.92,717,110 in June of Kshs.4,427,320 was not supported.
- iii) In May 2017, there were receipts in development account bank statement not recorded in the cash book of Kshs.14,132,431 hence unrecorded revenue.

Furthermore, the retention and deposit cashbooks and respective bank reconciliations statements were not prepared while the bank's balances of retention and deposits accounts were not disclosed in the financial statements.

Consequently, the accuracy and validity of cash and cash equivalent could not be confirmed as at 30 June 2017.

9. Compensation of Employees

9.1. Unbudgeted Salary Expenditure

Included in the statement of receipts and payments is compensation of employees figure of Kshs.2,108,786,987. However, review revealed that the actual expenditure was over and above the approved final budget figure of Kshs.1,977,592,497 resulting to an over expenditure of Kshs.131,194,490. There was no approval of the over expenditure from the County Assembly as required by law. Further, records provided indicated that the actual expenditure on this vote is Kshs.2,288,195,988 and not Kshs.2,108,786,987 reflected in the financial statements resulting in an unexplained understatement difference of Kshs.179,409,001.

Consequently, the county executive was in breach of law and the propriety of the expenditure of Kshs.2,108,786,987 cannot be confirmed for the year ended 30 June 2017.

10. Budget Performance Analysis

The County Executive in 2016/2017 the expenditure under the component of use of goods and services revealed that some votes were over spent above the budgeted amount without a supplementary budget approval by the County assembly as detailed below:

10.1. Recurrent Over/(Under) Expenditure on Budgeted Items

Vote	Actual Expenditure as per the Financial Statement	Budgeted Amount	Variance Over(under)	Variance (%)
	Kshs.	(Kshs)	(Kshs)	
Training Expenses	57,554,357	18,006,923	39,547,434	220
Hospitality Supplies and Services	26,337,327	36,894,348	(10,557,021)	-29
Routine maintenance of other assets	16,334,116	20,290,165	(3,956,049)	-19
Pre-feasibility, feasibility and appraisal studies	23,829,100	26,535,099	(2,705,999)	-10
Other Expenses	157,906,516	22,550,000	135,356,516	600
Subsidies	75,379,577	15,000,000	60,379,577	403
Acquisition of Assets	2,105,940,073	2,862,974,602	(757,034,529)	-26
Other grants and Transfers	256,761,177	236,850,000	19,911,177	8
Use of Goods and Services	1,024,732,787	1,200,556,642	(175,823,855)	-15
Total	3,744,775,030	4,439,657,779	(694,882,749)	-16

The overall under expenditure amounted to Kshs.694,882,742, including unsupported over expenditures on training expenses, other expenses and subsidies of 220%, 600% and 403% respectively.

10.2. Revenue

In addition, the County Executive of Siaya budgeted for Kshs.118,167,500 and Kshs.19,057,307 on maternity funds, and user foregone fee respectively. However, the county spent Kshs.54,395,000 and Kshs.9,528,653 on the same leading to under

absorption of the budget of Kshs.63,772,500 (54%) and Kshs.9,528,654 (50%) on, maternity fund, and user foregone fees respectively.

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 of the year under review. Except for the matters described in the Basis for Adverse Opinion section of my report, I have determined that there are no key audit matters to communicate in my report.

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 Government's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the Government either intends to liquidate the Government'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 Government'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 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 expressing an opinion on the effectiveness of the Executive's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Executive's ability to continue offering services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the consolidated/ financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Executive to cease to continue offering services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and or business activities of the Executive to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

Nairobi

16 July 2018