

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Turkana County Executive set out on pages 7 to 50, which comprise the statement of assets and liabilities as at 30 June 2017 and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters described in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Turkana County Executive as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with the Public Finance Management Act, 2012.

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

Basis for Adverse Opinion

1.0 Unsupported Payments

The financial statements for the year ended 30 June 2017 reflects balances of Kshs.3,021,071,286 and which are at variances with the supporting schedules figure of Kshs.12,070,000 resulting to a difference of Kshs.3,009,001,286 as detailed below:

Item	Note	Financial Statement figure Kshs	Supporting schedule figure Kshs	Difference Kshs
Other Grants and Transfers	16	852,791,393	12,070,000	840,721,393
Overhaul of vehicles and other transport equipment	18	76,000,000	-	76,000,000

Purchase of specialized plant, equipment and machinery	18	53,149,129	-	53,149,129
Purchase of certified seeds for animals	18	49,541,722	-	49,541,722
Valuation of assets	18	42,228,506	-	42,228,506
Transfers to other government units'	15	1,947,360,536	-	1,947,360,536
Total		3,021,071,286	12,070,000	3,009,001,286

In the circumstances, the propriety of the expenditure of these items amounting to Kshs.3,021,071,286 for the year ended 30 June 2017 could not be confirmed.

2.0 Road Maintenance Levy Fund (RMLF)

The statement of receipts and payments for the year ended 30 June 2017 reflects proceeds from domestic and foreign grants balance of Kshs.245,853,905 as disclosed in note 3 to the financial statements which include roads maintenance levy fund balance of Kshs.173,732,145 for the maintenance of County roads. According to Treasury letter Ref.AG/CON.1/022/Vol.13/101 dated August 2015 to Principal Secretary, Ministry of Transport and Infrastructure and copied to all governors and County Executive Members (CECs) for Finance, the recipients of the grant were required to prepare work plans for the roads to be implemented by the grant for approval by the County Executive Committee and be submitted to Kenya Roads Board to ensure that there is no duplication/overlap with the roads to be maintained by the national government. However, there was no approval of the work plan by the County Executive Committee approving the same for submission to the Kenya Roads Board as per National Treasury directive vide letter Ref. AG/CONF.1/022/Vol.13/101 dated 28 August 2015 to ensure that there is no duplication/overlap with the roads being maintained by the national government.

Consequently, the County Executive was in breach of the law and it risks spending conditional grants on purposes other than what they were intended and therefore the propriety of the grants amounting to Kshs.173,732,145 for the year ended 30 June 2017 could not be confirmed.

3.0 Other Receipts

3.1 Non Remittance of Rental Income

The statement of receipts and payments for the year ended 30 June 2017 reflects other receipts balance of Kshs.164,748,449 as disclosed in note 11 to the financial

statements which include other property income balance of Kshs.1,196,720. However, the property income balance of Kshs.1,196,720 does not include rental income from a guest house in Kalokol consisting of fourteen (14) lodging rooms leased to a tenant in the year 2009 by the defunct Turkana County Council for unknown number of years at a monthly rent of Kshs.10,000. The guest rooms are charged at a rate of Kshs.500 per day which translates to Kshs.210,000 per month. Further, there was no evidence that the lessee has ever paid the monthly rent for the guest house contrary to Section 63 (1) (a)-(c) of the Public Financial Management Regulations (County) ,2015 which requires an accounting officer and receiver of revenue to ensure that adequate safeguards exists and are applied for prompt collection and proper accounting for revenue, adequate measures including legal action where appropriate are taken to obtain payment and that official receipts are issued for all monies paid to County Government. In addition, the lease agreement was not availed for audit verification. Consequently, the accuracy, validity and completeness of other property income balance of Kshs.1,196,720 for the year ended 30 June 2017 could not be confirmed.

3.2 Outstanding Land Rates

Included also in other receipts figure of Kshs.164,748,449 is plot rent balance of Kshs.374,290. Available records indicated that Turkana County Government has clustered plots into ten (10) regions namely; Lodwar Town, Turkana North, Loima, Nadapal, Pokot South, Turkana East, Natotol, Nakwamekwi, California Market and Kanamkemer. The management charged a flat rate figure of Kshs.1,000 per plot regardless of the size of the plot. Further, the management did not maintain a schedule of outstanding land rates. Verification of the plot rates register from Lodwar Town and Kakuma indicated outstanding land rates of Kshs.20,084,320 and Kshs.686,850 interest rates all totaling Kshs.20,771,170.No evidence was provided to show effort made by the County Executive to collect the outstanding land rates or levy penalties as stipulated by Section 5(i) of Turkana County Finance Act, 2016 which requires penalties to be levied in respect of property liable to tax for the assessment year 2016/2017 in the case of a property having a total outstanding rates at the turn of the calendar year, the amount of property tax computed shall be increased by a penalty calculated at 3% cumulative per month.

Consequently, the accuracy, validity and completeness of plot rent balance of Kshs.374,290 for the year ended 30 June 2017 could not be confirmed.

3.3 Irregular Payment on Electronic Revenue Collection System

The statement of receipts and payments for the year ended 30 June 2017 reflects other receipts balance of Kshs.164,748,449. Examination of records made available for audit review indicated that the County Government of Turkana awarded a consultants tender No:TCG/F&P/17/2014-2015 for the automation of Revenue Collection Systems at a contract price of Kshs.35,930,979 for the period commencing 5 March 2015 to 7 September 2015 or any other period(s) as may subsequently be agreed by the parties in writing. Available information revealed that the County Executive paid the consultant Kshs.4,841,389.81 vide cheque No. 004246 dated 22 September 2016, being the last

payment of the balance of 15% of the contract. However, no signed contract agreement and inspection and acceptance report was provided for audit review. Further, it was observed that various modules such as collection of revenue, making payments to suppliers, staff and other creditors had not been implemented despite payment of the full contract sum.

Consequently, the propriety of expenditure of Kshs.35,930,979 incurred on automation of revenue collection systems for the year ended 30 June 2017 could not be confirmed.

4.0 Use of Goods and Services

4.1 Unsupported Training Expenditure

The statement of receipts and payments for the year ended 30 June 2017 reflects use of goods and services figure of Kshs.1,754,831,159 which includes training expenditure of Kshs.90,431,097 as disclosed under note 13 to the financial statements. However, out of the total expenditure of Kshs.90,431,097, an amount of Kshs.17,905,984.33 was not supported by invitation letters, training programs, list of participants, duly signed attendance registers and evidence of means of travel. Consequently, the propriety of training expenditure of Kshs.17,905,984.33 incurred on training for the year ended 30 June 2017 could not be confirmed.

4.2 Other Operating Expenses

Included in the use of goods and services balance of Kshs.1,754,831,159 reflected in the statement of receipts and payments for the year ended 30 June 2017 is other operating expenses figure of Kshs.190,528,033.33 as disclosed under note 13 to the financial statements out of which Kshs.9,705,708 was paid to suppliers for goods/services rendered. However, available information revealed that the firms were not in the list of the pre-qualified suppliers contrary to Section 94(3) of Public Procurement and Asset Disposal Act, 2015 which requires a procuring entity to invite tenders from only the approved persons who have been prequalified. Consequently, the management is in breach of the law and the propriety of other operating expenditure of Kshs.9,705,708 for the year ended 30 June 2017 could not be confirmed.

4.3 Domestic Travel and Subsistence

4.3.1 Unjustified Domestic and Travel Expenses

Included in the use of goods and services balance of Kshs.1,754,831,159 as reflected in the statements of receipts and payments and as disclosed in Note 13 to the financial statements, is domestic travel and subsistence expenditure of Kshs.247,441,154 which include Kshs.56,076,205 per diems paid to staff for various functions and meetings outside the County headquarters. No justification has been provided for holding meetings outside the County headquarter contrary to the National Treasury Circular No 20/2015 of 4 November 2015 on curtailing domestic travel and related expenditure which suspended with immediate effect

staff moving from their headquarters to other towns for the purpose of discussing strategy documents, consultants reports, or even other assignments that would ordinarily be done in the offices at the headquarters as such expenditures are hard to justify.

4.3.2 Direct Expense of Imprest

Further, imprest issued were directly expensed upon payment to officers contrary to Section 93 (3) of the Public Finance and Management Regulation, 2015 which states that temporary imprest shall be issued mainly in respect of official journey and are intended to provide officers with funds with which they can meet travelling, accommodation and incidental expenses. Under the circumstances, the management is in breach of the law and the propriety of Kshs.56,076,205 on domestic travel and subsistence for the year ended 30 June 2017 could not be confirmed.

4.4 Unsupported Hospitality Expenditure

Included in use of goods and services figure of Kshs.1,754,831,159 reflected in the statement of receipts and payments is hospitality supplies and services expenditure of Kshs.55,635,211.40 out of which Kshs.16,976,674.33 was spent on hospitality supplies. However, the payment vouchers available were not supported with event programs, duly signed attendance registers and work tickets. Further, a schedule attached to a surrender voucher in respect of imprest issued vide imprest warrant no 27116999 to one staff amounting to Kshs.2,145,900 was for to payment of officers who disseminated policies to various sub counties during Mashujaa Day celebrations. However, a review of the same revealed that the schedule and receipts were written and signed by the same person.

Consequently, the propriety of expenditure of Kshs.19,122,574.33 for the year ended 30 June 2017 could not be confirmed.

5.0 Acquisition of Assets

5.1 Irregular Payment for the Purchase of Fire Fighting Truck

Included in the acquisition of assets balance of Kshs.4,624,905,434.18 reflected in the statement of receipts and payments for the year ended 30 June 2017 is Kshs.53,149,129 in respect of purchase of specialized plant, machinery and equipment out of which an amount of Kshs.21,280,780 was paid vide cheque number 4578 to a company for the supply of firefighting truck. Available information revealed that the amount had not been budgeted for during the year under review. In addition, procurement records such as requisitions, tender advertisement, evaluation, and award committee minutes and inspection and acceptance committee report were not availed for audit verification. Further, log book for the firefighting truck was also not provided for audit review. Consequently, the propriety of Kshs.21,280,780 on the purchase of firefighting equipment for the year ended 30 June 2017 could not be confirmed.

5.2 Irregular Award of Contract on Solar Power PV System Installation

Included in the acquisition of assets balance of Kshs.4,624,905,434.18 reflected in the statement of receipts and payments for the year ended 30 June 2017 is Kshs.477,570,065 in respect of construction of civil works out of which an amount of Kshs.10,267,308 was paid vide cheque number 004009 dated 27 August 2016 to a company for the supply, install, test and commission of Solar PV power system in four schools and one health facility in Turkana East Sub County for a contract sum of Kshs.11,408,120.40. However, the notification of award, signing of contract agreement and Local Service Order Number 1262660 were all dated 8 April 2017 contrary to Section 135(3) of the Public Procurement and Asset Disposal Act, 2015 which states that the written contract shall be entered into within the period specified in the notification but not before fourteen days have elapsed following the giving of that notification provided that the contract shall be signed within the tender validity period.

Consequently, the management is in breach of the law and the propriety of Kshs.10,267,308 expenditure on the supply, installation, testing and commissioning of PV System for the year ended 30 June 2017 could not be confirmed.

5.3 Irregular Contractual Agreements for Kerio Water Supply

Included in the acquisition of assets figure of Kshs.4,624,905,434.18 as disclosed under note 18 to the financial statements is an expenditure of Kshs.477,570,065 in respect of construction and civil works. Turkana County Executive advertised for tenders to construct Kerio Water Supply in Turkana Central. Bidders responded where by one Contractor emerged the winner with a bid of Kshs.34,726,356. The winner was given a notification letter for tender referenced TCG/AWI/320/2015-2016 dated 16 May 2016 and the contract agreement signed on 20 May 2016 and a Local Service Order (LSO) was issued the same day. This agreement and LSO was used to support the initial payment of Kshs.13,890,540. However, the letter of acceptance of offer from the tenderer is dated 7 of June 2016 meaning that the contract agreement was signed before the tenderer accepted the offer. Further, another payment for Kshs.10,293,441 for the same contract was supported by an agreement for the same contract but which was signed on 30 June 2016 by the same Chief Officer. The payment was supported by interim certificate dated 23 May 2016 and inspection report of 24 of June 2016. It is not clear and the management has not given reasons for this anomaly. Consequently, the propriety of expenditure of Kshs.34,726,356 incurred in the construction of Kerio Water Supply for the year ended 30 June 2017 could not be confirmed.

5.4 Delayed Projects Implementation

The construction and civil works figure of Kshs.477,570,065 disclosed in note 18 of the financial statements includes an amount of Kshs.100,012,380 paid to various contractors during the year ended 30 June 2017. However, the projects as shown below were at various levels of completion and had not been handed over long after the contract period had expired.

Project Name	Contract No	Start Date	Completion Date	Contract Sum (Kshs)	Payment	Status of project
Construction of Kaputir Irrigation Project	TCG/AWI/262/2015/2016	27 May 2016	27 August 2016	78,423,200	23,526,960	30% complete
Construction of Lomidat Spate Irrigation Project	TCG/AWI/263/2015-2016	27 May 2016	27 August 2016	73,877,005	22,163,101	95% complete
Construction of Nakwamoru Irrigation Scheme	TCG/AWI/265/2015-2016	27 May 2016	27 August 2016	119,473,886	35,842,166	90% complete
Construction of Nadunga Irrigation Scheme	TCG/AWI/264/2015/2016	26th May 2016	26 August 2016	30,798,510	18,480,153	60% complete
Total				302,572,601	100,012,380	

Delay in project implementation is contrary to Section 151 (2) of the Public Procurement and Asset Disposal Act, 2015 which states that for the purpose of managing complex and specialized procurement contracts, the contract implementation team shall be responsible for monitoring the performance of the contractor, to ensure that all delivery or performance obligations are met or appropriate and ensure that the contractor acts in accordance with the provisions of the contract.

Consequently, the objectives of these projects have not been fully achieved and no value for money has been obtained on expenditure of Kshs.100,012,380 for the year ended 30 June 2017 could not be confirmed.

5.5 Construction of Business Centre at Lodwar

Included in the acquisition of assets figure of Kshs.4,624,905,434.18 is an amount Kshs.884,903,607.82 in respect of construction of buildings out of which Kshs.39,717,147 was paid to a company vide cheque No 5166 for the construction of Business Centre at a contract sum of Kshs.132,390,490. However, examination of records availed for audit revealed that notification of award and the contract agreement are dated 9 May 2017 contrary Section 87 (1) which require the contract to be signed fourteen (14) days after notification. Further, the contract agreement does not indicate the commencement date and the expected date of completion. In addition, the payment of Kshs.39,717,147 include works done on preliminaries of Kshs.13,239,049 and

materials on site of Kshs.26,478,098 which were not supported with valuation reports and the breakdown of materials on site indicating the costs. It was also observed that the approved budget for the project was Kshs.46,256,047 against the contract sum of Kshs.132,390,470. The management has not explained how it will fund the short fall of Kshs.86,134,423.

Consequently, the propriety and validity of expenditure of Kshs.39,717,147 for the construction of Business Centre for the year ended 30 June 2017 could not be confirmed.

5.6 Construction of Kerio Resource Centre

Included in the acquisition of assets figure of Kshs.4,624,905,434.18 is an amount Kshs.884,903,607.82 in respect of construction of buildings out of which Kshs.10,411,390 was paid to a company vide cheque No 4960 dated 14 February 2017 for the construction of Kerio Resource Centre. However, procurement records such as user requisitions, a copy of the advertisement, tender opening and evaluation committee minutes, and tender award minutes were not availed for audit verification. Further, certificates of inspection and acceptance committee report were also not availed for audit verification contrary to Part II Section 17(3) (b) of Public Procurement and Disposal Act, 2015 which states that ,the inspection and acceptance committee shall inspect and review goods, works and services in order to ensure compliance with specifications of the contract, ensure that goods, works or services meet technical standards defined in the contract and issue interim or completion certificates or goods received notes as appropriate and in accordance with the contract.

Consequently, the propriety of expenditure of Kshs.10,411,390 for the construction of Kerio Resource Centre for the year ended 30 June 2017 could not be confirmed.

5.7 Construction of Kakuma Resource Centre

Included also in the acquisition of assets figure of Kshs.4,624,905,434.18 is an amount of Kshs.884,903,607.82 in respect of construction of buildings out of which Kshs.13,397,917 was paid to a company vide cheque Nos 4960 and 5636 for the construction of Kakuma Resource Centre. However procurement records such user requisitions, a copy of the advertisement, tender opening and evaluation committee minutes, and tender award minutes, bills of quantities, contract agreement and interim certificates were not availed for audit verification. Further, certificates of inspection and acceptance committee report were also not availed for audit verification contrary to Par II Section 17(3) (b) of Public Procurement and Disposal Act, 2015 which states that ,the inspection and acceptance committee shall inspect and review goods, works and services in order to ensure compliance with specifications of the contract, ensure that goods, works or services meet technical standards defined in the contract and issue interim or completion certificates or goods received notes as appropriate and in accordance with the contract.

Consequently, the propriety of expenditure of Kshs.13,397,917 for the construction of Kakuma Resource Centre for the year ended 30 June 2017 could not be confirmed.

5.8 Feasibility Studies on Kotome Dam

Included in the acquisition of assets figure of Kshs.4,624,905,434.18 is an amount of Kshs.370,248,777 under Research, Studies, Project Preparation, Design & Supervision out of which Kshs.15,359,850, being 50% of the contract sum of Kshs.30,719,700, was paid to a company vide cheque No 4148 for the preparation of feasibility studies, detailed design and environmental and social assessment for Kotome Dam contrary to Section 146 of the Public Procurement and Disposal Act, 2015 which requires that no works or services shall be paid for before they are executed or delivered. Further, the report on the feasibility studies conducted was not availed for audit verification.

Consequently, the propriety of expenditure of Kshs.15,359,850 for the preparation of feasibility studies, detailed design and environmental and social assessment for Kotome Dam for the year ended 30 June 2017 could not be confirmed.

5.9 School Feeding Program

Included the acquisition of assets figure of Kshs.4,624,905,434.18 for the year ended 30 June 2017 is an amount of Kshs.166,786,245 in respect of acquisition of strategic stocks and commodities. Included in this figure is Kshs.41,030,000 paid to two companies vide cheque Nos 4960,4320 and 4960 for Early Childhood Development (ECD) school feeding program. However, the notification of award for supply and delivery of food was dated 29 November 2016 while the letter of acceptance is dated 27 June 2017. Further, the payment was not supported by good received notes and the distribution list showing the sub counties and the criteria of identifying the beneficiaries.

Consequently, the propriety of expenditure of Kshs.41,030,000 for the year ended 30 June 2017 could not be confirmed.

5.10 Irregular Purchase of ICT Equipment

The acquisition of assets figure of Kshs.4,624,905,434.18 also include an amount of Kshs.61,719,279 in respect of purchase of ICT equipment out of which Kshs.23,530,696.48 was paid to various suppliers. However, observations made revealed that these suppliers were not among the prequalified list of ICT equipment contrary to Section 95 (3) of the Public Procurement and Asset Disposal Act, 2015 which requires a procuring entity to invite for tender from only the firms which have been pre-qualified.

Consequently, the management is in breach of the law and the propriety of expenditure of Kshs.23,530,696 for the year ended 30 June 2017 could not be confirmed.

5.11 Irregular Purchase of Office Furniture and General Equipment

Included in the acquisition of assets figure of Kshs. 4,624,905,434.18 is an amount of Kshs.46,741,112.47 in respect of purchase of office furniture and general equipment out of which Kshs.9,090,271.80 was payments to suppliers who were not in the list of prequalified suppliers contrary to Section 95 (3) of the Public Procurement and Asset

Disposal Act, 2015 which requires a procuring entity to invite for tender from only the firms which have been pre-qualified. It is not clear and management has not explained how these suppliers were identified for award of these contracts and whether they were competitively sourced.

Consequently, the management is in breach of the law and propriety of expenditure of Kshs.9,090,271.80 for the year ended 30 June 2017 could not be confirmed.

5.12 Unsupported Motor Vehicle Maintenance Expenses

Include in the acquisition of assets figure of Kshs. 4,624,905,434.18 as disclosed in note 18 to the financial statements is expenditure of Kshs. 76,000,000 on overhaul of vehicles and other transport equipment for the year ended 30 June 2017 which include Kshs 71,121,744 in respect of motor vehicle repairs. However, engineer's estimate and post inspection mechanical repair report and a list of spare parts replaced were not provided for audit review. Consequently, the propriety of expenditure of Kshs. 71,121,744 incurred on overhaul of vehicles and other transport equipment for the year ended 30 June 2017 could not be confirmed.

5.13 Construction of Bridges

Included in the acquisition of assets figure of Kshs.4,624,905,434.18 and as disclosed in note 18 to the financial statements is expenditure of Kshs.498,926,255.8547 incurred on construction of roads for the year ended 30 June 2017 out of which Kshs.84,573,107 was incurred in respect of construction of bridges. However, payment vouchers and related supporting accounting records such user requisitions, copy of the advertisement, tender opening and evaluation committee minutes, and tender award minutes, bill of quantities, contract agreement, progress reports, completion certificates and handing over reports were not availed for audit verification.

Consequently, the propriety of expenditure of Kshs.84,573,107 incurred on construction of bridges for the year ended 30 June 2017 could not be confirmed.

5.14 Tarmacking of Roads

Included in the acquisition of assets figure of Kshs.4,624,905,434.18 and as disclosed in note 18 to the financial statements is expenditure of Kshs.498,926,255.85 on construction of roads out of which Kshs.55,126,036 was payments to contractors for tarmacking of roads. However, the payment vouchers were not supported with supporting documents such user requisitions, copy of the advertisement, tender opening and evaluation committee minutes, and tender award minutes, bill of quantities and contract agreement were not availed for audit verification.

Consequently, the propriety of expenditure of Kshs.55,126,036 incurred on tarmacking of roads for the year ended 30 June 2017 could not be confirmed.

6.0 Other Grants and Transfers

6.1 Emergency Relief and Refugees Assistance

Included in other grants and transfers balance of Kshs.852,791,393 reflected in the statement of receipts and payments and as disclosed in note 16 to the financial statements is expenditure on emergency relief and refugee assistance amounting to Kshs.840,721,393 out of which Kshs.294,500,000 was not supported by the distribution list showing the sub counties and the criteria of identifying the beneficiaries.

Consequently, the propriety of expenditure of Kshs.294,500,000 for the year ended 30 June 2017 could not be confirmed.

7.0 Statement of Cash flows

The statement of cash flow for the year ended 30 June 2017 reflects cash and cash equivalent at the end of the year balance of Kshs.3,991,760,824.05. However, the statement of asset and liabilities indicate a figure of Kshs.4,037,707,355.77 resulting in a variance of Kshs.45,946,511.72 which the management has not reconciled or explained. Consequently, the accuracy of the cash and cash equivalent at the end of the year figure of Kshs.3,991,760,824.05 reflected in the statement of cash flow for the year ended 30 June 2017 could not be confirmed.

Other Matter

1.0 Budgetary Control and Performance

1.1 Budget Absorption

During the year under review, the County Government had a total budget of Kshs.14,365,952,550 comprising of development budget of Kshs.8,878,121,106 and recurrent budget of Kshs.5,487,831,444. Further, the total budget reflected an overall under absorption of Kshs.3,080,401,056 or 21% as summarized below:

Item	Approved Budget for 2016/2017 (Kshs)	Actual Expenditure for 2016/2017 (Kshs)	Under Absorption (Kshs)	Under Absorption (%)
Development Budget	8,878,121,106	5,904,043,542	2,974,077,564	33
Recurrent Budget	5,487,831,444	5,381,507,952	106,323,493	2
Total	14,365,952,550	11,285,551,494	3,080,401,056	21

The under absorption of the approved budget is an indication that some activities in the annual work plan were not implemented by the County Government whereby the situation is likely to have a negative impact on delivery of goods and services by the County Executive. There is need therefore, for the management to relook at the budgetary mechanism with a view to focus on priority areas and which enhance service delivery to the citizens of Turkana County.

1.2 Under/Over Expenditure Budget Analysis

During the year under review, the County Government had a total budget of Kshs.14,365,952,550 comprising of development budget of Kshs.8,878,121,106 and recurrent budget of Kshs.5,487,831,444. The County Executive underspent on four (4) expenditure heads with a total under absorption of Kshs.4,286,008,419 and overspent on two (2) expenditure head by Kshs.1,205,607,361 without the approval from the County Assembly as summarized below:

Item	Budget 2016-2017 (Kshs)	Actuals 2016-2017 (Kshs)	Over Expenditure (Kshs)	Under Expenditure (Kshs)
Compensation of employees	1,638,258,044	2,105,662,970	467,404,926	
Use of goods and services	4,604,206,232	1,754,831,159		2,849,375,073
Transfer to other governments units	1,209,158,101	1,947,360,536.4 9	738,202,435	
Other grants and transfers	908,300,763	852,791,393		55,509,370
Social security benefits	312,541,224			312,541,224
Acquisition of assets	5,693,488,186	4,624,905,434		1,068,582,752
Other payments				
Total	14,365,952,550	11,285,551,492	1,205,607,361	4,286,008,419

The under expenditure of the approved budget is likely to have negative impact on delivery of goods and services by the County Executive to the citizens of Turkana County.

2.0 Project Implementation

Records availed for audit review indicated that a total of Kshs.8,571,861,105 was allocated to twelve (12) ministries to finance five hundred and eight (508) projects during year under review. However, according to project status reports, the projects were behind schedule with only Kshs.2,316,706,301.06 or 32% having been spent on 164 projects as detailed below contrary to Section 113 (1) of the County Government Act, 2012 which requires the County's budget to be based on the annual development priorities and objectives and the performance targets set by the County.

Department	No of Budgeted Projects	Budget(Kshs)	Actual Expenditure (Kshs)	No of Projects implemented	% Level of Implementation
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Governance	8	292,034,328.18	Nil	Nil	
Finance and planning	25	678,765,411.63	547,452,246.38	15	60
Pastoral, Economy & fisheries	12	363,403,388.58	20,782,432	6	50
Health services & sanitation	43	1,294,389,782.92	26,515,452.50	4	9
Roads, Transport and Public Works	67	875,727,539.53	264,290,237	16	24
Education and social services	63	1,355,929,825.99	295,808,612.18	31	49
Lands and physical planning	25	355,323,747.54	Nil	Nil	0
Trade, culture & tourism	35	336,773,286.50	329,830,541	20	57
Water, irrigation and agriculture	178	1,472,988,919.28	596,984,401	62	35
Energy, environment and natural resources	16	269,717,901.00	Nil	Nil	0
Public service, Decentralized services and Disaster management.	22	1,228,796,314.65	235,042,379	10	45
Public Service Board	14	48,010,660.19	Nil	Nil	0
Total	508	8,571,861,105.99	2,316,706,301.06	164	32

Delayed implementation of projects deny the public goods and services they deserve to enjoy. Further, due to inflationary factors the project costs may escalate in future. In addition, project status report for land and Physical planning, Energy and Environment, Governance Office and Public Service board was not availed for audit review.

3.0 Project Status

From a sample of eighteen (18) projects verified, the audit revealed the following observations:

No.	Name Of Project	Budget (Kshs)	Payments To Date (Kshs)	Observation
1	Kangagetei Dispensary	7, 498,857.90	7, 498,857.90	Project complete and in use though not branded
2	Kakuma Dispensary	7,575,200	7,575,200	Project complete and in use though

				not branded
3	Construction of Biashara Centre at Lodwar	132,390,490	39,717,147	Main structures erected , roofing done and the contractor was not on site
4	Eco Lodges at Kataboi	66,389,746	59,750,771	Main structures completed, side of the roof blown off by the wind. Ceiling, widows, electricity and plumbing works not done. The contractor was not on site
5.	Construction of County Offices	695,854,432	224,063,164	Main structures erected, roofing done. Electrical works, plumbing works, windows, doors and plastering not done. Contractor was not on site
6	Kanamkemer citizen resource centre	40,000,000	13,397,917	Complete but not in use not branded
7	Construction of youth polytechnic	20,749,947.00	12,449,968	Complete but not in use though not branded
8	Construction of medical, surgical, paediatric wards, in-patient lab, theatre at LCRH and an Amenity(Private Wing) at LCRH	35,058,530.00	0	Ground work at slab level
9	Chok Chok Dispensary	6,793,754.60	6,793,754.60	Complete but not in use
10	Kalokol Water Project	31,500,000	18,900,000	Project not complete and stalled
11	Kalogechea Water Pan	9,652,630	9,204,957	Project complete, fenced and in use not branded
12	Loitaki Water Pan	9,406,526	8,842,134	Project complete and in use Though not branded
13	Ngimaniania Water	8,743,900	7,708,622	Project complete and

	Pan			in use Though not branded
14	Kalapata water Pan	9,352,169	9,352,169	Project complete, fenced and in use
15	Lotukutan Water Pan	9,441,253	8,497,127	Project complete and in use
16	Nakwamekwi water project	20,744,482	20,744,482	Project complete and in use
17	Kerio water Supply	34,726,356	24,183,981	Project complete and in use
18	Loima Water Pan	9,062,105	9,062,105	Project complete and in use
	Total	1,147,441,521	480,243,49	

These observations are clear indication of delayed benefits for the residents to get value for money as projects were not completed within the stipulated time frame. In addition, most of the projects were not branded and it was therefore not possible to confirm whether the projects were funded by the County Government or other Government Agencies.

4.0 Stalled Projects

The project status report availed for audit revealed that the County Executive had spent a total Kshs.57,746,388 out of contract price Kshs.118,370,148.00 on stalled projects as summarized below:

Project Name	Contractor	Tender No.	Contract Price (Kshs)	Expenditure To Date (Kshs)	Balance
Nakalale Ward Administrators office	Futhergur Gei merchants ltd	TCG/PS/384/2014/2015	12,228,947	9,355,144	2,873,803
Kanamkemer Ward Administrators office	Natoot Building Construction Co Ltd	TCG/PS/398/2014/2015	9,843,272	7,973,109	1,870,163
Katilu Ward Administrators office	Katilu engineering & Construction Ltd	TCG/PS/404/2014/2015	11,732,021	9,502,937	2,229,084
Lobokat/Kainuk Ward Administrators office	Echuk Construction Ltd	TCG/PS/402/2014/2015	9,991,760	8,542,954	1,448,806
Rehabilitation/ Construction of Kanaodon Surface Irrigation Scheme		TCG/AWI/261/2015-2016	74,574,148	22,372,244	52,201,904

Total			118,370,148.00	57,746,388	60,623,760
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It is not clear, and the management did not provide explanation why the projects had stalled yet the County Government had an overall budget under absorption balance of Kshs.4,256,008,419. As a result, the objectives of these projects have not been achieved.

5.0 Governance Framework

5.1 Failure to Establish an Audit Committee

As reported in the previous year, the County Government of Turkana has not established an audit committee contrary to Section 167(1) of the Public Finance Management (County Governments) Regulations 2015 which requires County Government to establish Audit Committees in accordance with prescribed regulations to monitor the entity governance process, accountability processes and control systems, offer objective advice on issues concerning risk, control, regulatory requirements and governance of the County .

The County Government is therefore in breach of the law.

5.2 Lack of Independent Internal Audit Function

As reported in the previous year, a review of the Internal Audit department revealed that the County Government has established an internal audit unit to oversee the governance mechanism and promote transparency and accountability in the management of resources of the County. The internal audit function has a director, deputy director and five officers who reports to the CEC Finance instead of audit committee or any other independent or oversight body. In addition, the internal audit charter has not been prepared and approved detailing the scope, responsibilities and purpose of internal audit function. This is contrary to the provisions of Section 155(2) of the Public Financial Management (County Governments) Regulations, 2015 which stipulates that an accounting officer shall ensure that internal audit unit is facilitated with sufficient authority to promote independence and ensure broad internal coverage, and adequate consideration of audit reports.

6.0 County Government Land Ownership

As reported in the previous year, the County Government had no records of the parcels of land that was occupied by the County offices. The County headquarters and the departments are in different land parcels within Lodwar town. In addition, the County Government had offices in all sub counties and wards. The parcels especially sub county offices and ward offices were not fenced to show boundaries and prevent possible encroachment. Land titles or any ownership documents were not availed for our verification. It was therefore not clear the arrangements under which the parcels were being occupied.

7.0 Retention into the Office of Officers beyond Mandatory Retirement Age of 60 Years

The statement of receipts and payments for the year ended 30 June 2017 and Note 12 reflects compensation of employee's balance of Kshs.1,918,698,145.36. Examination of payroll records revealed that Turkana County Executive retained thirteen (13) officers in the services of County Government beyond the mandatory retirement age of 60 years contrary to Section D.21 of Human Resource Policies and Procedures Manual for the Public Service dated May 2006 which provides that all officers shall retire from the Service on attaining the mandatory retirement age of 60 years, 65 years for persons with disabilities and/or as may be prescribed by the government from time to time. In the month of June 2017, the officers earned a consolidated gross salary of Kshs.603, 067 which translated to approximately an annual gross salary of Kshs.7,236,804.

Consequently, Turkana County Executive is in breach of the law.

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 cease operations.

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

Those charged with governance are responsible for overseeing the County 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 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 Government'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 Government's ability to continue offering services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County Government to cease to continue offering services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate 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

16 July 2018