

# **REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF TURKANA FOR THE YEAR ENDED 30 JUNE 2018**

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Qualified Opinion**

I have audited the accompanying financial statements of County Executive of Turkana set out on pages 1 to 39, which comprise the statement of financial assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation 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 described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of County Executive of Turkana as at 30 June 2018, 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 comply with the County Governments Act, 2012 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1.0 Proceeds from Domestic and Foreign Grants**

The statement of receipts and payments for the year ended 30 June 2018 reflects proceeds from domestic and foreign grants figure of Kshs.682,367,539 as disclosed under note 2 to the financial statements which is at variance with the figure of Kshs.888,340,000 as per records of the Controller of Budget resulting in unexplained and or unreconciled variance of Kshs.205,972,461.

Under the circumstance, the accuracy and completeness of the proceeds from domestic and foreign grants of Kshs.682,367,539 for the year ended 30 June 2018 could not be confirmed.

#### **2.0 Exchequer Releases**

The statement of receipts and payments for the year ended 30 June 2018 reflects exchequer releases of Kshs.10,071,700,000 as disclosed under note 1 to the financial statements which is also at variance with the summary statement of appropriation computed figure of Kshs.9,281,966,717 comprising of recurrent exchequer releases of Kshs.6,880,598,495 and development exchequer releases of Kshs.2,401,368,222 resulting in unexplained or unreconciled variance of Kshs.789,733,283.

In consequence, the accuracy and completeness of the exchequer releases figure of Kshs.10,071,700,000 for the year ended 30 June 2018 could not be ascertained.

#### **3.0 Assets and Liabilities from the Defunct Local Authorities**

Annex 5 summary fixed assets register reflects total fixed assets figure of Kshs.4,750,583,207 as at 30 June 2018. However, the figure does not include the values of fixed assets and liabilities from the defunct local authorities

Consequently, the accuracy and completeness of fixed assets of Kshs.4,750,583,207 as at 30 June 2018 could not be confirmed.

#### **4.0 Lease of Medical Equipment**

Included in the acquisition of assets figure of Kshs.828,402,000 reflected in note 17 to the financial statements is purchase of specialized plant, equipment and machinery figure of Kshs.95,744,681 relating to lease of medical equipment expenditure. Available information indicate that the expenditure is directly recovered by the National Treasury. However, the lease agreement for the leased equipment was not made available for audit verification. Further, a physical verification of the leased equipment revealed that the medical equipment have not been put into use.

As a result, the propriety of the expenditure of Kshs.95,744,681 on leased medical equipment nor the existence of the equipment could not be confirmed.

#### **5.0 Construction of Roads**

##### **5.1 Overpayment to Contractor – A1-Ekaales Centre Road**

The statement of receipts and payments for the year ended 30 June 2018 reflects acquisition of assets figure of Kshs.828,402,000 which includes construction of roads figure of Kshs.234,031,418 as disclosed under note 17 to the financial statements out of which an amount of Kshs.69,866,907 was paid to a contractor for the upgrading to bitumen standards of A1-Ekaales Centre road. However, the amount of Kshs.69,866,907 is at variance with the payment voucher amount of Kshs.57,459,508 resulting in unexplained or unreconciled variance of Kshs.12,407,399. Further, supporting documents such as engineer's estimate, tender evaluation minutes, performance bond, letter of award, acceptance letter, signed contract agreement, joint measure and interim/completion certificates were not availed for audit verification.

As a result, the validity and propriety of Kshs.12,407,399 overpayment to the contractor cannot be confirmed.

##### **5.2 Purchase of Unaccounted for Motor Vehicle**

Included in the bill of quantities for the upgrading to bitumen standards of A1-Ekaales Centre road total expenditure of Kshs.287,862,120 is purchase of two new 4WD double cabin motor vehicles amount of Kshs.9,600,000. However, no documentary evidence was availed to confirm whether the motor vehicles were purchased. Further, the ownership and custody of the motor vehicles was not confirmed.

Consequently, the accuracy and completeness of the acquisition of assets figure of Kshs.828,402,000 for the year ended 30 June 2018 could not be confirmed.

## 6.0 Prior Audit Matters

A review of annexure 6 to the financial statements relating to progress on follow up of Auditor recommendations revealed that only two issues relating to the Auditor's recommendations were resolved. The following issues remained unresolved:

### 6.1 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        |
| <b>Total</b>                                           |      | <b>3,021,071,286</b>              | <b>12,070,000</b>                 | <b>3,009,001,286</b> |

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.

### 6.2 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.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Executive of Turkana 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, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

## **Other Matter**

### **1. Receipts**

#### **1.1 Under- Performance in Own Generated Revenue**

The statement of receipts and payments reflects county own generated revenue collections amounting to Kshs.144,290,738 collected from thirteen (13) revenue streams against the budgeted amount of Kshs.200,000,000 resulting to under collection of Kshs.55,709,262 or 28% of the budget which has not been explained. The revenue collection declined by 12 per cent from Kshs.164,748,449 in 2016/2017 financial year to Kshs.144,290,738 in 2017/2018 financial year. The County Treasury, however, did not indicate the strategies it has formulated or intends to implement to enhance own source revenue collection.

#### **1.2 Revenue Collection Management System**

Available information revealed that the County Executive has a revenue collection management system. However, the following weaknesses about the system were noted during the audit:

- (i) The system was not linked to all the revenue collection streams and as a result most collections are done outside the system except cess and parking fees which were being collected using the Point of Sale from the system.
- (ii) The system is incapable of generating a consolidated revenue collection report from all the revenue collection streams including the arrears accruing from non-payment of revenue.
- (iii) The system could not generate a report on all the properties owned by the entity including the housing units for rent/lease and the expected income from each unit.

The management explained that the entity was in the process of acquiring a new system. However, no report was given as to why they are intending to replace the current one before putting in any effort to strengthen its efficiency and effectiveness. Under the circumstance, the efficiency and effectiveness of the revenue system could not be confirmed.

## 2.0 Budget Control and Performance

### 2.1 Budget Absorption

During the year under review, the County Government of Turkana had a total budget of Kshs.12,151,288,449 comprising development budget of Kshs.4,310,458,900 and recurrent budget of Kshs.7,840,829,549. Further, the total budget reflected overall under absorption of Kshs.3,700,825,734 or 30% as summarized below:

| Item         | Budgeted Allocation<br>2017/2018<br>Kshs. | Actual<br>2017/2018<br>Kshs. | Under/Over<br>Absorption<br>Kshs. | Under<br>Absorption<br>Rate % |
|--------------|-------------------------------------------|------------------------------|-----------------------------------|-------------------------------|
| Development  | 4,310,458,900                             | 1,412,970,979                | 2,897,487,921                     | 67                            |
| Recurrent    | 7,840,829,549                             | 7,037,491,736                | 803,337,813                       | 10                            |
| <b>Total</b> | <b>12,151,288,449</b>                     | <b>8,450,462,715</b>         | <b>3,700,825,734</b>              | <b>30</b>                     |

The under absorption of the approved budget of 30% is an indication of activities and projects in the annual work plan not implemented by the County Government which is likely to have a negative effect on delivery of goods and service delivery by the County Government. There is need for the management to re-look at its budgetary mechanism with a view to focusing on priority areas and which enhance service delivery to the citizens of Turkana County.

### 2.2 Development Budget

During the year under review, the Turkana County Government allocated Kshs.3,520,958,602 for acquisition of assets and spent a total of Kshs.828,402,000 resulting to net under expenditure of Kshs.2,692,556,602. It is clear that the County Executive did not utilize Kshs.2,692,556,602 or 76% of the allocated funds. However, management did not indicate mechanism it has put in place to enhance absorption of development funds.

### 2.3 Recurrent Budget

During the year under review, the County Executive allocated Kshs.7,840,829,548 for recurrent expenditure and spent a total of Kshs.7,037,491,736 resulting to under expenditure Kshs.803,337,813 as detailed below:

| Item                                   | Budgeted Allocation 2017/2018 | Actual Expenditure 2017/2018 | Under/(Over) Absorption | Absorption Rate % |
|----------------------------------------|-------------------------------|------------------------------|-------------------------|-------------------|
| Compensation of Employees              | 2,918,100,839                 | 2,920,219,455                | (2,118,616)             | (0)               |
| Use of goods and services              | 2,856,181,408                 | 2,238,932,509                | 617,248,899             | 22                |
| Transfers to Other Government Units    | 1,336,019,660                 | 1,165,455,963                | 170,563,697             | 13                |
| Other Grants and Transfers             | 725,527,641                   | 712,883,809                  | 12,643,832              | 2                 |
| Finance Costs, Including Loan Interest | 5,000,000                     | -                            | 5,000,000               | 100               |
| <b>Total</b>                           | <b>7,840,829,548</b>          | <b>7,037,491,736</b>         | <b>803,337,812</b>      | <b>10</b>         |

From the above analysis, it is evident that the County Executive spent Kshs.7,037,491,736 out of the budgeted amount of Kshs.7,840,829,548 resulting to under absorption of Kshs.803,337,812 or 10 % of the budget.

### 3.0 Project Implementation

Records availed for audit review indicated that a total of Kshs.3,475,447,356 was allocated to nine (9) ministries to finance three hundred and twenty (320) projects during the year under review. However, according to project status reports, the projects were behind schedule with only Kshs.1,806,261,547 or 51% having been spent on 97 projects as shown below:

| Department | Number of Budgeted Projects | Budget (Kshs) | Actual Expenditure (Kshs) | Number of Projects Implemented | % Level of Completion |
|------------|-----------------------------|---------------|---------------------------|--------------------------------|-----------------------|
|------------|-----------------------------|---------------|---------------------------|--------------------------------|-----------------------|

|                                                       |            |                      |                      |           |           |
|-------------------------------------------------------|------------|----------------------|----------------------|-----------|-----------|
| Finance and planning                                  | 9          | 864,734,508          | 360,833,442          | 4         | 42        |
| Tourism Culture and Natural Resources                 | 7          | 34,589,716           | -                    | 3         | 0         |
| Water Environment and Mineral Resources               | 27         | 247,465,487          | 146,208,108          | 11        | 59        |
| Lands, Energy Housing and Urban Area Management       | 19         | 253,820,261          | 213,162,481          | 16        | 84        |
| Trade Gender and Youth Affairs                        | 42         | 496,081,265          | 339,627,767          | 21        | 68        |
| Agriculture Pastoral Economy and Fisheries            | 12         | 183,400,551          | 114,337,945          | 7         | 62        |
| Public Service Administration and Disaster Management | 13         | 144,723,014          | 120,867,921          | 6         | 84        |
| Education Sports and Social protection                | 148        | 864,028,008.11       | 426,607,332          | 27        | 49        |
| Health Ministry                                       | 43         | 421,194,262          | 84,616,550.69        | 2         | 20        |
| <b>Total</b>                                          | <b>320</b> | <b>3,475,447,356</b> | <b>1,806,261,547</b> | <b>97</b> | <b>51</b> |

Delayed implementation of projects denies the public goods and services they deserve to enjoy. Further, due to inflationary factors the project costs may escalate in future.

#### 4.0 Project Status

From a sample of 16 projects verified, the audit revealed the following:

| <b>Project</b>                                              | <b>Budget Allocation (Kshs)</b> | <b>Payments as at 30 June 2018 (Kshs)</b>  | <b>Observations</b>                                                                                           |
|-------------------------------------------------------------|---------------------------------|--------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| Construction of Kakuma Water supplies.                      | 34,700,000                      | 17,695,738.47                              | There was no labelling of the project.<br>The contractor was on site<br>Project is incomplete and not in use. |
| Construction of a perimeter fence Morulem Irrigation Scheme | 34,068,428                      | 10,220,527.80                              | The contractor was not on site<br>Project is incomplete.<br>There was no labelling.                           |
| <b>Project</b>                                              | <b>Budget Allocation (Kshs)</b> | <b>Payments as at 30 June 2018 (Kshs.)</b> | <b>Observations</b>                                                                                           |

|                                                            |                                 |                                           |                                                                                                                                                                                                                            |
|------------------------------------------------------------|---------------------------------|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Construction of Kochede Water Pan in Loima                 | 9,168,677.70                    | 5,501,206                                 | Project is complete but not in use.<br>Ice plant not installed<br>Water not connected                                                                                                                                      |
| Construction of Water of Water quality Laboratory Analysis | 9,950,060                       | 6,965,042                                 | Project is complete but not in use.                                                                                                                                                                                        |
| Construction of Napuu 1 Drip Irrigation Project            | 57,998,638                      | 57,998,638                                | Only Two toilets were constructed instead of four.<br>Purchase of furniture, Laptop and Ipad was not put in the Irrigation Office<br>Resident Engineer 'cycle was not availed.<br>Project was not Labelled                 |
| Construction of Kangiregae Water pan-KanamKemer Ward       | 9,425,676                       | 8,011,824                                 | Project is incomplete but not in use.<br>Contractor not on site.<br>Fence and collection trenches destroyed.<br>Project not labelled.                                                                                      |
| Desilting Of Oropoi Water Pan                              | 3,974,429                       | 3,974,429                                 | Project is complete but not in use.<br>Project not labelled.                                                                                                                                                               |
| Supply and Installation of Solar PV Turkana South          | 15,274,072                      | 5,724,280                                 | Project is complete but not in use.<br>Project not labelled.                                                                                                                                                               |
| Installation of 29 streetlights poles Kaikor Ward          | 7,012,000                       | 7,012,000                                 | Project is complete but not in use.                                                                                                                                                                                        |
| Upgrading to Bitumen standards of A1-Ekales centre         | 287,862,120                     | 124,571,563                               | Project complete and well-marked.                                                                                                                                                                                          |
| Construction of County offices                             | 695,854,432                     | 323,837,544                               | Concrete works, internal walling complete and external walling complete. Tiling, painting and decorations, windows and glazing, doors and frames not complete. Fencing was not complete. The contractor was still on site. |
| Routine maintenance of A1 JN(Lodwar)-Kerio-Ngimurae Road   | 14,153,960                      | 14,153,960                                | Project is complete.                                                                                                                                                                                                       |
| <b>Project</b>                                             | <b>Budget Allocation (Kshs)</b> | <b>Payments as at 30 June 2018 (Kshs)</b> | <b>Observations</b>                                                                                                                                                                                                        |



|                                                                                           |                      |                    |                                                                             |
|-------------------------------------------------------------------------------------------|----------------------|--------------------|-----------------------------------------------------------------------------|
| Construction of dispensary, staff house, pit latrine and fence at Napopongoit, Nanam Ward | 9,949,262            | 5,969,557          | Project is complete and in use. However, the project has not been labelled. |
| Construction of Elelea agricultural store                                                 | 3,400,000.           | 3,400,000          | Project complete but not labelled.                                          |
| Construction of two classrooms for Kamanak primary school at Lorengippi/Lokiriama Ward    | 2,989,668            | 2,092,767          | The project was at lintel level.                                            |
| Construction of fish store in Kerio                                                       | 7,083,030            | 7,083,030          | Project complete and not in use. Further, the project has not been labelled |
| <b>Total</b>                                                                              | <b>1,202,864,452</b> | <b>604,212,107</b> |                                                                             |

The above observations are clear indication of wastage of public funds where completed projects are not utilized. It is also an indication of lack of public participation before a project is implemented which leads to lack of ownership of such projects contrary to Section 115(1) of the County Government Act, 2012 which demands public participation in the county planning processes. 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 another government agency to avoid risk of duplicate funding.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources/ Qualified Opinion section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### Basis for Conclusion

#### 1.0 Receipts

##### 1.1. Failure to Approve the Finance Bill by the County Assembly

The statement of receipts and payments reflects county own generated receipts figure of Kshs.144,290,738 out of budgeted amount Kshs.200,000,000 resulting to under collection of Kshs.55,709,262 or 28% of the budgeted revenue. Further, a review of records made available indicate that the County Committee Member for Finance submitted to the county assembly the County Finance Bill, setting out the revenue raising measures for the county government on 28 September 2017. However, the assembly did approve the County

Finance bill, 2018. Under the circumstances, the county executive was denied the authority to collect the county own generated revenue.

## 2.0 Compensation of Employees

### 2.1 Officers Earning less than 1/3 of Basic Salary

The statement of receipts and payments reflects compensation of employees figure of Kshs.2,920,219,455. However, a review records made available revealed that 17 members of staff as shown below earned net salaries less than a third of their basic pay against the requirement of County Human Resource Manual, 2013 and Employment Act, 2007.

| No | Payroll number | Surname  | First Name | Other Names | Basic Kshs. | One Third Rule Kshs. | Net pay (Kshs) |
|----|----------------|----------|------------|-------------|-------------|----------------------|----------------|
| 1  | 20130046785    | Onyiengo | James      | Saddat      | 55,840      | 18,613               | 11,908.35      |
| 2  | 20130052041    | Esinyen  | Peter      | Lochomin    | 13,140      | 4,380                | 3,430.60       |
| 3  | 20130052292    | Ekales   | Cicilia    | Napeyok     | 11,370      | 3,790                | 2,358          |
| 4  | 20140014017    | Ewoton   | Emuron     | Wilson      | 8,764       | 2,921                | 1,665          |
| 5  | 20140044211    | Ateyo    | Lilian     | Aleper      | 41,590      | 13,863               | 12,010         |
| 6  | 20140044257    | Kibet    | Amos       | Kiptui      | 55,840      | 18,613               | 15,889         |
| 7  | 20140065185    | Ngikoi   | Johnson    | Ngitit      | 55,840      | 18,613.              | 16,804         |
| 8  | 20140066342    | Lowal    | Nelson     | Nakan       | 41,590      | 13,863               | -              |
| 9  | 20140073794    | Ekeno    | Miriam     |             | 39,600      | 13,200               | 11,923         |
| 10 | 20140122729    | Eremon   | Ebenyo     | Bonface     | 19,323      | 6,441                | 5,294          |
| 11 | 20150008843    | Lomodei  | Evans      |             | 34,200      | 11,400               | 9,860          |
| 12 | 20150022905    | Ekal     | David      | Ekumam      | 27,180      | 9,060                | 8,096          |
| 13 | 20150038332    | Eloto    | Philemon   | Chegem      | 13,800      | 4,600                | 907            |
| 14 | 20160094155    | Nanok    | Aaron      | Ekipetot    | 32,580      | 10,860               | 7,334          |
| 15 | 20160094299    | Nasike   | Jeremiah   | Joel        | 24,662      | 8,221                | 5,629          |
| 16 | 20160102410    | Korobe   | Haron      | Aiyen       | 19,323      | 6,441                | 4,444          |
| 17 | 20090006394    | Ekaale   | Jeremiah   | Etelej      | 59,630      | 19,877               | -              |

Under the circumstances, management was in breach of the law on salary deductions.

### 2.2 Staff on Probation for a Long Period

Statement of receipt and payments reflects compensation of Employees figure of Kshs.2,920,219,455. However, a review of records made available indicate that 200 employees have been on probation for more than nine months contrary to the requirement of Part B13(1-4) of County Human Resource Manual ,2013 which stipulates that an officer shall be put on probation for a period of 6 months. Under the circumstances, management was in breach of the law.

### 2.3 Irregular Engagement of Casual Workers

Included in the basic wages of temporary employees figure of Kshs.139,039,720 reflected note 11 to the financial statements is an expenditure of Kshs.99,396,096 incurred on casual employees' wages. However, there was no documentary evidence made available to confirm that the County Public Service Board had approved the employment of casual workers. Under the circumstances, the propriety of the expenditure of Kshs.99,396,096 incurred on casual employees' wages for the year ended 30 June 2018 could not be confirmed.

### **3.0 Use of Goods and Services**

#### **3.1 Supply and Delivery of Pharmaceutical and Non - Pharmaceutical Supplies**

Included in the specialized materials and services figure of Kshs.766,769,602 reflected in note12 to the financial statement is an expenditure of Kshs.155,554,479 incurred on the supply and delivery of pharmaceutical and non-pharmaceutical supplies to various health facilities within the County. However, the inspection and acceptance reports availed were done without the committee physically receiving and inspecting goods. Requisitions from the health facilities were also not availed for audit verification. Further, examination of medical records maintained at Lodwar County Hospital revealed that the responsibilities for receiving, recording and issuing of stores are performed by one officer. Hence the principle of segregation of duties in stores management was not observed. In addition, S13 for the goods received were not raised at sub county dispensaries stores. Under the circumstances, management was in breach of the law.

#### **3.2 Supply and Delivery of Maize Early Child Development Feeding Program**

Included in the specialized materials and services figure of Kshs.766,769,602 reflected in note12 to the financial statement is an expenditure is Kshs.11,948,000 incurred on the supply and delivery of 4,000 bags maize for Early Childhood Development (ECD) feeding program . A Review of document supporting the expenditure revealed that 2700 bags of maize delivered on 18 July 2017, 88 days after issue of L.PO NO 2947678 of 20 April 2017 contrary to Section 52(1) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that a local purchase order or local service order shall be valid for a period of thirty days from the date of issue. Under the circumstances, management was in breach of the law.

### **4.0 Acquisition of Assets**

#### **4.1 Kakuma Water Supply**

Included in the construction and civil works figure of Kshs.218,815,349 reflected in note 17 to the financial statements is an expenditure of Kshs.14,214,559.70 paid on 2 February 2018 to a company for the construction of Kakuma water supply for a contract sum Kshs.34,700,000. However, the completion date for the project was 5 January 2017 but was 50% complete as at 20 December 2017. The project is therefore behind schedule and no explanation has been provided for the delay. Under the circumstances, the contractor was in breach of the contract and liquidated damages ought to have been demanded.

## 4.2 Irregular Award of Road Construction Contracts

Included in the construction of roads figure of Kshs.234,031,418 reflected in note 17 to the financial statements is an expenditure of Kshs.52,382,012 incurred on construction of roads as shown below:

| Date       | Payee                            | Payment Voucher Number | Invoice Number | Road                                | Contract Price (Kshs) |
|------------|----------------------------------|------------------------|----------------|-------------------------------------|-----------------------|
| 2.2.2018   | Nasekeny Company Ltd             | 162                    | 8              | Kamuge-Baragoi Road                 | 11,906,240            |
| 11.9.2017  | Chesta Investments               | 164                    | 103            | Eliye Springs Road                  | 12,136,500            |
| 13.09.2017 | Turkana Engineering              | 3                      | 1              | Lokori-Kamuge Road                  | 5,898,600             |
| 8.11.2017  | Moru Anayee                      | 141                    |                | Naoros-Katula Road                  | 1,989,400             |
| 18.3.2018  | Be-Lochakai Contractors          | 154                    | 240            | Katapakin Drift                     | 10,539,072            |
| 27.11.2017 | Jibu Langu GEN Supplies          | 148                    | 102            | Kanugurumeri-Nakingol-Narukiko Road | 3,259,600             |
| 16.1.2018  | Longech Builders and Contractors | 123                    | 91             | Lotesuvo-Ludakach Road              | 2,755,000             |
| 19.1.2018  | Damcos Construction Ltd          | 13                     | 4              | Elelea-Ngikengoi Road               | 3,897,600             |
|            | <b>Total</b>                     |                        |                |                                     | <b>52,382,012</b>     |

However, no documentary evidence was availed to confirm that the contractors were registered as contractors by the National Construction Authority contrary to Section 15(1) of the National Construction Authority Act, 2011 which stipulates that a person shall not carry on with business of a contractor unless the person is registered by the board of the National Construction Authority. Under the circumstances, management was in breach of the law.

## 5.0 Stalled Projects

Included in construction of buildings figure of Kshs.105,176,670 reflected in note 17 of the financial statements is an expenditure of Kshs.92,093,595 relating construction of buildings for a total contract sum of Kshs.170,547,705 which had stalled as summarized below:

|  |  |  | Contract Price | Expenditure to Date |  |
|--|--|--|----------------|---------------------|--|
|--|--|--|----------------|---------------------|--|

| Project Name                                                                            | Contractor                            | Tender No.                 | (Kshs)             | (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        |
| Construction of multipurpose centre                                                     | Kawalase Logistics                    | TCG/EDHRC&ED/318/2015-2016 | 9,400,000          | 5,640,000         | 3,760,000         |
| Additional structures for street children centre                                        | Jokema General construction Co. ltd   | TCG/EDHRC&ED/341/2015-2016 | 9,600,000          | 2,880,000         | 6,720,000         |
| Lorugum social hall(resouce centre)                                                     | Loima development ltd                 | TCG/F&P/172/2015-2016      | 19,735,580         | 17,762,022        | 1,973,558         |
| Construction of Recording Studio                                                        | Lomas investment limited              | TCG/EDHRC&ED/195/2015-2016 | 3,998,864          | 2,399,318         | 1,599,546         |
| Construction of Dispensary, Staff House, Pit Latrine and Fencing Lomunyenpus Dispensary | Kharibur Investment                   | TCG/MOH/18/26/17           | 9,443,113          | 5,665,867         | 3,777,246         |
| <b>Total</b>                                                                            |                                       |                            | <b>170,547,705</b> | <b>92,093,595</b> | <b>78,454,110</b> |

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 achieved and no value for money has been obtained on expenditure of Kshs.92,093,595 for the year ended 30 June 2018 could not be confirmed.

## 6.0 Prior Audit Matters

A review of annexure 6 to the financial statements relating to progress on follow up of Auditor recommendations revealed that only two issues relating to the Auditor's recommendations were resolved. The following issues remained unresolved:

### 6.1 Other Receipts

### **6.1.1 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 exist 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.

### **6.1.2 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.

### **6.1.3 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.

## **6.2 Use of Goods and Services**

### **6.2.1 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.

### **6.2.2 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.

### **6.2.3 Domestic Travel and Subsistence**

#### **6.2.3.1 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 No20/2015 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.

### **6.2.3.2 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.

### **6.2.4 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.

## **6.3 Acquisition of Assets**

### **6.3.1 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.



### **6.3.2 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.

### **6.3.3 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.

### **6.3.4 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.

| <b>Project Name</b>                              | <b>Contract No</b>    | <b>Start Date</b> | <b>Completion Date</b> | <b>Contract Sum (Kshs)</b> | <b>Payment</b>     | <b>Status of project</b> |
|--------------------------------------------------|-----------------------|-------------------|------------------------|----------------------------|--------------------|--------------------------|
| 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             |
| <b>Total</b>                                     |                       |                   |                        | <b>302,572,601</b>         | <b>100,012,380</b> |                          |

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.

### **6.3.5 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.

### **6.3.6 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.

### **6.3.7 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.

### **6.3.8 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 and 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.

### **6.3.9 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.

### **6.3.10 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.

### **6.3.11 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.

### **6.3.12 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.

### **6.3.13 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.

### **6.3.14 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.

## **6.4 Other Grants and Transfers**

### **6.4.1 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.

## **6.5 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.

## **6.6 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.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS**

### **Conclusion**

As required by Section 7(1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter(s) described in the Basis for [Conclusion on Effectiveness of Internal Controls, Risk Management and Governance/Qualified Opinion] section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Responsibilities of Management and Those Charged with Governance**

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 maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the County Executive of Turkana's ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the County Executive of Turkana 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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the County Executive of Turkana financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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. 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 and weakness 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.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected

within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Turkana County Executive policies and procedures may deteriorate.

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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County Executive of Turkana ability to continue as a going concern or 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 Turkana County Executive to cease to continue as a going concern or 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 and business activities of the County Executive of Turkana 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.

A handwritten signature in black ink, appearing to read 'E. O. Ouko', with a small flourish at the end.

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

**Nairobi**

**30 January 2019**