REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF UASIN GISHU FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Uasin Gishu County Executive set out on pages 1 to 46, which comprise the statement of assets and liabilities as at 30 June, 2019, statement of receipts and payments, statement of cash flows and summary statement of appropriation: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I 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 effects 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 the County Executive of Uasin Gishu as at 30 June, 2019, 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 Public Finance Management Act, 2012 and the County Governments Act,2012.

Basis for Qualified Opinion

1. Unsupported Other Miscellaneous Receipts

The statement of receipts and payments reflects county own-generated revenue totalling Kshs.905,013,969, as further disclosed in Note 9 to the financial statements. The balance includes other miscellaneous receipts totalling Kshs.1,341,854 being direct bank deposits that have, however, not been assigned to any revenue stream.

In the circumstance, the accuracy and completeness of the County own-generated revenue balance totalling Kshs.905,013,969 reflected in the statement of receipts and payments has not been confirmed.

2. Other Grants and Transfers

The statement of receipts and payments reflects other grants and transfers totalling Kshs.77,430,178, as further disclosed in Note 15 to the financial statements. Included in the balance are transfers totalling Kshs.48,192,202 being capital grants paid to various dispensaries in the County. The grants include receipts of Universal Health Care in the Devolved System Program funded by the Danish International Development Agency (DANIDA) at Kshs.27,379,194 against Kshs.19,136,250 budgeted for the year. There was no explanation provided for the excess funding amounting to Kshs.8,242,944.

3. Unconfirmed Assets

The summary of fixed assets register reflected in Annex 5 to the financial statements reflects cumulative assets with a value of Kshs.9,095,805,131 as at 30 June, 2019. As similarly reported in the previous year, the balance excludes assets taken over from defunct local authorities in the County in 2013. The assets included land, buildings, motor vehicles, computers and other office equipment all of which are not included in the County Executive's fixed assets register as at 30 June, 2019. Management has explained that the assets have been verified, validated and forwarded to the Intergovernmental Relations Technical Committee (IGRTC) and Intergovernmental Budget and Economic Council (IBEC) for guidance and direction. However, the process has, reportedly, not been finalized for the assets to be included in the County Executive's assets register.

In the absence of information on the inherited assets, the accuracy and completeness of the summary of fixed assets register balance of Kshs.9,095,805,131 has not been confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Uasin Gishu County Executive in accordance with ISSAI 130 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 of my report, I have determined that there no other key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The summary statement of appropriation: recurrent and development combined reflects a final expenditure budget amounting to Kshs.10,082,660,780 and actual expenditure of Kshs.6,901,068,231 resulting in under-absorption of Kshs.3,181,592,549 or 32% of the budget. The under-absorption was more severe under the development vote as Kshs.2,746,086,837 or 59% of the budget was not spent. In addition, county own-generated receipts totalling Kshs.905,013,969 were received through various revenue streams but fell short of the budgeted sum amounting to Kshs.1,200,000,000 by Kshs.294,986,031 or 25%. Further, actual revenue receipts during the year totaled Kshs.9,360,597,404 out of which Kshs.6,901,068,231 were spent during the year. As a result, Kshs.2,459,529,173 or 26% of the receipts for the year were not utilized.

The under-absorption of the budget on development and failure to spend 26% of the revenue collected during the year meant that some projects and activities planned for execution during the year were not implemented. As a result, the residents of Uasin Gishu County did not receive all the services due from the County Executive.

2. Delay in Disbursement of Exchequer Releases

The statement of receipts and payments reflects exchequer releases totalling Kshs.6,868,160,180 as further disclosed in Note 1 to the financial statements. However, Management reported that the equitable share of Kshs.949,536,000 and donor funds totalling Kshs.143,542,917 all totalling Kshs.1,093,078,917 were only received into the County Revenue Fund bank account from the National Treasury in July, 2019 after the end of the financial year under review. The delayed remittance of the budgeted funds contravened Section 4(2)(a) and (b) of the County Allocation of Revenue Act, 2018. The Act requires transfers of County Government allocations to be made as scheduled by the Senate and published in the gazette by the Cabinet Secretary as provided for in Section 17 of the Act; and without undue delay or deduction, unless stopped under Article 225 of the Constitution.

The delayed receipt of the exchequer releases in turn delayed implementation of the County Executive's projects and activities for the year under review. As a result, the residents of Uasin Gishu County did not receive all the goods and services planned for their use during the year.

3. Accumulation of Pending Bills

Annex 2 and 4 to the financial statements reflect trade creditors amounting to Kshs.129,314,181 and unremitted staff statutory deductions amounting to Kshs.152,199, 562 all totalling Kshs.281,513,743. Management has not indicated in the Notes to the financial statements why the debts were not paid in due time. Further, accumulation of pending bills is contrary to Treasury Circular Ref AG 3/101/75 which requires Accounting Officers to establish effective financial controls and maintain financial discipline for efficient use of resources.

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 Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections 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. Delay in Project Implementation

Fifty-four (54) projects with contract values totalling Kshs.1,359,994,591 were sampled and verified during the audit in October, 2019. Expenditures on the projects amounted to Kshs.681,929,168 as at 30 June, 2019 as shown in the attached Appendix I.

Thirty-nine (39) of the projects worth Kshs.460,610,825 were complete, six (6) projects contracted at Kshs.522,630,226 were ongoing whereas nine (9) projects costing Kshs.372,710,916, out of which Kshs.79,577,498 or approximately 21% had been paid to the respective contractors, had stalled**.** Management did not provide plausible explanations as to why the project works stalled or disclose the actions it had taken to revive and complete them.

With the projects having stalled, no value has been received on funds totalling Kshs.79,577,498 invested therein and further, the services the projects were expected to provide to the residents of Uasin Gishu County have not been realized.

2. Low Absorption of Donor Funds and Foreign Grants

The statement of receipts and payments reflects exchequer releases totalling Kshs.6,868,160,180 which include donor funds amounting to Kshs.933,560,180 as disclosed in Note 1(C) to the financial statements.

At the end of the previous financial year on 30 June, 2018, the County Executive had unutilized donor funds totalling Kshs.46,962,980 which were thereafter brought forward to the year under review. Therefore, the aggregate donor funds available for use during the year amounted to Kshs.1,065,044,363 as shown in the attached Appendix II.

Further, donor funds totalling Kshs.933,560180 received during the year under review included Danish International Development Agency(DANIDA) and European Union (EU) grant and Kenya Devolution Support Programme (KDSP) Level II receipts totalling Kshs.114,361,157 which were, however, not included in the County Executive's approved budget for the year. Therefore, the funds were received and spent contrary to provisions on receipt of grants by County Governments prescribed in Section 138(4) of Public Finance Management Act, 2012, as well as in Section 72(7) of Public Finance Management (County Governments) Regulations, 2015.

Payments made during the year amounted to Kshs.106,031,790 only or approximately 10% of the funds available and therefore the unused donor funds as at 30 June 2019 amounted to Kshs.959,012,573.

Management blamed the failure to absorb Kshs.959,012,573 (90%) of the exchequer releases on delays in donor funds disbursements and procurement of goods and services. However, no evidence was presented for audit review to show that the delays were unavoidable.

In view of the low absorption of the budget, the objectives for which the funds were provided by the tax payers and development partners were not realized.

3. Unutilized Fuel Levy Funds

During the year under review, the County Executive was allocated Fuel Levy funds totalling Kshs.156,252,849 by the Kenya Roads Board (KRB) as disclosed under Note 8 to the financial statements. The allocation was meant for use in maintenance of approved road projects in the County. Examination of revenue records indicated that during the year under review, available fuel levy funds amounted to Kshs.388,941,688, comprising of fuel levy allocation for the year amounting to Kshs.156,252,849 and unspent fuel levy balances brought forward from the previous year totalling Kshs.232,688,839.

The records further indicated that expenditure incurred on maintenance of the approved roads during the year totaled Kshs.192,530,044 or 50% of the amount held by the County Executive. However, Management submitted the County Work Plan for the year ended 30 June, 2019 to KRB for approval on 11 March, 2019 even though the submission timeline set by the KRB was 30 September, 2018.The belated submission of the workplan caused delay in disbursement of fuel levy funds for the year and as a result, much of the County's workplan for roads for the year was not implemented.

No plausible explanation has been provided by Management for the delay in submitting the County workplan to the Kenya Roads Board.

4. Undelivered Leased Medical Equipment

According to the Memorandum of Understanding signed between Uasin Gishu County Government and the National Government on 24 February, 2015, Ziwa and Burnt Forest Sub-District Hospitals were to receive theatre and radiology equipment under the Leased Medical Equipment Programme initiated by the latter.

However, as reported in the previous year, examination of delivery records and physical verification done in October, 2018 revealed that no theatre and radiology equipment was supplied to the two Hospitals. Available correspondence indicate that theatre equipment initially allocated to Ziwa were issued to Moi Teaching and Referral Hospital (MTRH).

These anomalies are yet to be explained or resolved.

5.0 County Own-Generated Receipts

5.1. Approval of Finance Bill 2018

Section 133 of the Public Finance Management Act, 2012 requires the County Assembly to consider and approve the Finance Bill not later than ninety days after passing the Appropriation Bill for the year. However, in the year under review, Management did not present the approved 2018 County Finance Bill for audit review and as a result, it was not possible to confirm whether the Bill was passed by the County Assembly.

5.2. Lack of Water Resources Authority (WRA) Permit

Available records indicated that during the year under review, Management collected revenue totalling Kshs.598,860 from sale of water. Section 36 of the Water Act, 2016 states that a permit is required for one to use water from a prescribed water resource. However, the permits, if any, issued to the County Executive by the Water Resources Authority, were not availed for audit.

In the absence of relevant evidence, it was not possible to confirm whether the water sold by the County Executive of Uasin Gishu was drawn in accordance with the law.

6. Compensation of Employees

6.1. Excessive Wage Bill

Examination of expenditure records indicated that during the year under review, the County Executive spent Kshs.3,027,702,703 or 38% of its revenue for the year totalling Kshs.7,992,213,636 on compensation of employees. The expenditure exceeded the ratio of 35% of revenue prescribed in Section 25(1) of the Public Finance Management (County Governments) Regulations, 2015.

No plausible explanation has been provided by Management for the failure to adhere to the legal threshold for personnel emoluments expenditure.

6.2. Irregular Net Pay

Examination of the County payroll disclosed instances whereby net salaries received by employees of the County Executive were less than a third of their basic salary after tax pay. This was after Management allowed excessive non-statutory deductions to be made on their gross salaries. This is contrary to Section 3 of Employment Act, 2007 (First Schedule) that prohibits payment of wages that are less than one-third of those earned. The deductions were, therefore, contrary to Law and exposed the employees to the risk of pecuniary embarrassment.

No plausible explanation has been provided by Management for the irregularity.

6.3. Irregular Staff Establishment

Review of personnel records revealed that as at 30 June, 2019, the County Government had three thousand one hundred and sixty-four (3,164) employees out of whom two thousand four hundred and sixty-four (2,464) or approximately 79% were from the dominant community in the County. Further, during the year under review, the County Public Service Board recruited three hundred and fifty-four (354) new staff members out of whom three hundred and thirty-one (331) or approximately 94% were from the dominant community in the County. Management, therefore acted contrary to Section 65(e) of the County Government Act, 2012 which states that in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least 30% of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County.

Consequently, staffing at the County Executive does not comply with the law on national cohesion.

7.0. Construction of Buildings

During the year under review the County Executive spent Kshs.1,719,585,605 on acquisition of assets as disclosed in the statement of receipts and payments for the year and Note 17 to the financial statements. However, examination of payment records and audit verification revealed the following unsatisfactory observations in regard to the said expenditure:

7.1. Delay in Construction of Buildings

Expenditures totalling Kshs.217,852,521 incurred on construction of buildings include Kshs.58,880,563 paid in respect of various projects during the year. This was in addition to payments totalling Kshs.73,209,067 made on the projects in the previous year. As a result, the expenditure on the projects totalled Kshs.132,089,630 as at 30 June, 2019. However, as summarized in the attached appendix III, the projects were incomplete, having either stalled or ran behind their planned completion schedules.

Further, as at 30 June, 2019, expired project performance bonds were not renewed even though payments for the insurance premiums continued unabated.

Management has indicated that most of the projects stalled due to court cases and capacity challenges faced by contractors. Others were terminated and thereafter retendered. However, no evidence has been presented to confirm these assertions.

As it were, no value was obtained on funds totalling Kshs.132,089,630 invested in the incomplete projects. This and other anomalies showed imprudent use of resources by Management contrary to Section 153{(1)(b) of the Public Finance Management Act, 2012.

7.2 Delay in Construction of Milk Coolers

Examination of expenditure records indicated that during the year under review, the County Executive made payments totalling Kshs.17,584,597 to various contractors for construction of milk cooling plants. Similar payments made in the previous year totaled Kshs.169,485,424 and therefore aggregate expenditures incurred on the plants as at 30 June, 2019 amounted to Kshs.187,070,021. The works were contracted after the Ministry of Agriculture, Livestock and Fisheries undertook to supply milk coolers to all Counties. The recipient County Governments were to construct the buildings to house the milk coolers and install electricity.

Available information indicates that construction of thirteen (13) milk cooling plants contracted at Kshs.63,456,565 and for which payments totalling Kshs.40,880,353 were made had stalled. The contracts were thereafter terminated and tenders for the works re-advertised in October, 2019.

In addition, the building of eighteen (18) milk cooling plants was contracted to various parties at an aggregate cost of Kshs.89,159,298. Payments made to the contractors as at 30 June, 2019 totaled Kshs.66,864,577 but the works had not been completed, more than three (3) years after the contracts were signed. For this reason, the milk coolers supplied by the National Government for the plants have not been put to use.

No plausible explanations have been provided by Management for these anomalies.

In view of the delays in completion or commissioning of the milk plant projects, their purpose has not been achieved. In addition, no value for money has been obtained on the expenditure totalling Kshs.187,070,021 already incurred.

The investments in these projects therefore have not been managed in a prudent way as required of Management in Section 153(1)(b) of the Public Finance Management Act, 2012.

7.3 Delayed Installation of Electricity to Milk Coolers

Other records examined indicated that Kshs.2,261,942 was paid to Kenya Power and Lighting Company to provide Three-Phase power connection for use in three milk cooling plants. In the previous financial year, payments made for the purpose amounted to Kshs.8,934,874 and therefore total payments made to the Company as at 30 June, 2019 amounted to Kshs.11,196,816 equivalent to 52% of the contracted sum amounting to Kshs.21,532,338.

Other records indicated that Management contracted the Company during the year ended 30 June, 2018 to install electricity in twenty-five (25) milk cooling plants at a contract sum of Kshs.21,649,096. Eleven (11) milk cooling plants had the electricity supply installed leaving a balance of fourteen (14). Management has not disclosed the actions it has taken to ensure that all the contracts are completed.

As mentioned previously, the delays in completion of the projects have denied the residents of Uasin Gishu County use of goods and services provided for their use.

8. Payments and Bank Reconciliations Statements Not Done Through the Integrated Financial Management Information System (IFMIS)

The statement of receipts and payments reflects payments totalling Kshs.6,901,068,231. out of which payments amounting to Kshs.6,846,976,986 were made through the Integrated Financial Management Information System (IFMIS). However, the balance amounting to Kshs.47,559,440 was transacted outside IFMIS contrary to National Treasury Circular No.4/2018 dated 19 June, 2018. The Circular had prescribed that all expenditure for the 2018/2019 financial year budget be transacted through IFMIS.

Consequently, Management breached the directive issued by the National Treasury.

Similarly, monthly bank reconciliation statements for twenty-eight (28) bank accounts operated by the County Executive at the Central Bank of Kenya were done manually and not through IFMIS contrary to the National Treasury Circular.

Management did not provide any plausible explanation for the irregularities.

9. Long Outstanding Imprests

The statement of assets and liabilities as at 30 June, 2019 reflects accounts receivables-outstanding imprests totalling Kshs.3,590,645, as further disclosed under Note 22 to the financial statements. The outstanding imprests include Kshs.2,498,775 held by one officer since September, 2018. The imprest contravenes Section 93(5) of the Public Finance Management (County Governments) Regulations, 2015 which requires imprests to be surrendered within seven working days after the holder returns to the duty station. No plausible explanation has been provided by Management for the failure to recover the imprests.

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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Outstanding Revenue Arrears

Examination of revenue records indicated that arrears on land rates, housing estates and sanitary facilities amounted to Kshs.2,599,633,247 as at 30 June, 2019. Management has not provided evidence of actions taken to collect the outstanding receipts and prevent recurrence in future.

Failure to collect all revenues due hampers implementation of budgets and therefore denies citizens goods and services they expect to receive. Further, it contravenes Section 63(1)(a)-(c) of the Public Financial Management (County Government) Regulations, 2015 which requires Accounting Officers and Receivers of Revenue to ensure that sufficient safeguards exist and are applied for prompt collection and proper accounting for revenue receipts.

2. Lack of Segregation of Duties

Management assigned the only one team of officers the roles of updating several cash books as well as preparing monthly bank reconciliation statements for the respective bank accounts.

In the circumstances, internal control over cash records was not sufficient. The control weakness has increased the risk of loss and mismanagement of public funds during the year.

3. Lack of Risk Management Policy

Section 158(1) of the Public Finance Management County Government Regulations, 2015 requires each County Government entity to develop risk management strategies and a system of risk management to help identify, improve and sustain efficient and effective management of public resources. However, there were no records to show that Management of Uasin Gishu County Executive had established a risk management policy.

As a result, it is doubtful whether the County Executive would be able to effectively respond to risks that may emerge in the course of its operations.

4. Unsupported Structure and Organization of the Revenue Department

Management did not present for audit approved staffing records that outline appropriate staff numbers, task allocations, coordination, and supervision and responsibilities of staff working in the Revenue Department. Further, during the year under review, the Department collected revenue from thirty-nine (39) revenue streams that fell under various Departments in the County Executive's organizational structure. However, there was no evidence showing that the officers responsible for revenue collection in the Departments worked under the supervision of the head of the Revenue Department for proper coordination and control of their activities.

Therefore, the revenue collection function in the County is not organized for secure, efficient and effective performance.

5. Untagged Fixed Assets

Section 149 (2)(o) of the Public Finance Management Act, 2012 requires Accounting Officers to establish adequate systems and processes to effectively manage entity assets. These should include plans to procure, account for, maintain, store and dispose the assets. In addition, Management is required to maintain an assets register that is current, accurate and available to the relevant County Treasury and the Auditor-General for review. However, inspection of assets of the County Executive revealed that, contrary to the Law, except for information technology assets, all other assets of the County Executive of Uasin Gishu were not tagged to map critical information on their location and persons responsible for their custody.

In the circumstance, the system applied by Management to secure the assets of the County Executive does not comply with the law and puts the assets at risk of loss and misuse.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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 overall governance.

In preparing the financial statements, Management is responsible for assessing the County Executive's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to dissolve the County Executive or 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.

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 financial reporting process, reviewing the effectiveness of how the County Executive 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 overall 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 overall 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 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 applicable 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's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County Executive to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the County Executive to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

Nancy Gathungu
AUDITOR-GENERAL

Nairobi

16 December, 2020

Appendix I

Delay in Project Implementation

No.	Project	Contract Sum (Kshs')	Date of Advert	Amount Paid (Kshs.)	Delivery Status
1	Kimumu Bahati wholesale Market	173,461,708	12.04.19	-	On going
2	Maternity Ward at West health Centre	63,005,156	24.01.17	20,168,054	On-going
3	Huruma Reference Lab at Huruma Sub-County Hospital	19,999,105	19.04.19	1,193,610	On-going
4	Ngenyilel Vocational Training Centre	73,002,150	8.05.18	34,476,015	On-going
5	Word Offices Cluster Two-Racecourse/Kipkennyo/Kaptagat/Tembelio/Cheptiret/Ngenyilel/Sergoit-7 Wards	100,650,375	10.01.19	35,269,475	On-going
6	Ward offices cluster one-Soy/Kiplombe/Barsombe/Karuna/Kimumu/Kuinet-6 Wards	92,511,732	10.01.19	50,633,690	On-going
	Sub total	**522,630,226**		**141,740,844**	
7	Construction of Chagaiya High Altitude Training Camp	172,310,405	14.10.16	32,833,260	Stalled
8	Maternity block at Kapteldon Sub County Hospital	19,256,658	22.12.16	3,492,699	Stalled
9	Ziwa Sub-County hospital	93,476,582	10.04.15	3,584,850	Stalled
10	Construction of Kapseret Sub-County office	33,242,000	29.01.15	25,874,581	Stalled
11	Electric Fence at Chebororwa ATC	15,323,849	19.01.15	1,153,620	Stalled
12	Construction of fire station at Burnt Forest	5,991,353	18.03.16	1,598,200	Stalled
13	Construction of Kipkaren River Market	3,949,990	29.01.15	2,639,425	Stalled
14	Construction of milk cooler plant at Ainabkoi	14,273,993	2015/2016	2,970,584	Stalled
15	Construction of Milk Cooler Plants at Kilima and Muungano in Moi's Bridge	14,886,086	2015/2016	5,430,280	Stalled
	Sub Total	**372,710,916**		**79,577,499**	
	Grant Total	**1,359,994,591**		**681,929,168**	

Appendix II

Low Absorption of Donor Funds and Foreign Grants

Donor/Grant	Budgeted Amount Kshs.	Unspent Balances 30 June,2018 Kshs.	Amount Received During the year	Counterpart Funding Kshs.	Total available Funds as at 30 June, 2019 Kshs.	Total Payments as at 30 June, 2019 Kshs.	Balance as at 30 June, 2019 Kshs.	Utilization %
DANIDA	19,136,250	305,146	27,379,194	-	27,684,340	27,379,194	305,146	99
World Bank- (THS-UCP)	81,893,450	16,097,550	38,716,724	-	54,814,274	26,341,913	28,472,361	48
Kenya Devolution Support Program (KDSP) Level 2	-	-	102,342,917	-	102,342,917	-	102,342,917	-
Kenya Devolution Support Program (KDSP) Level 1	46,739,163	30,560,284	-	-	30,560,284	22,005,385	8,554,899	72
Youth Polytechnic Support Grant	33,250,000	-	25,103,750	-	25,103,750	-	25,103,750	-
Abolishment of User Fees	20,813,065	-	20,813,065	-	20,813,065	20,813,009	56	100
Kenya Urban Support Program (KUSP)	671,347,800	-	671,347,800	-	671,347,800	-	671,347,800	-
Agriculture Sector Development Support Project (ASDSP)	18,994,969	-	6,915,644	5,500,000	12,415,644	-	12,415,644	-
Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	-	40,941,086	2,100,000	43,041,086	9,492,289	33,548,797	22
EU Grant	45,000,000	-	48,775,296	28,145,907	76,921,203	-	76,921,203	-
EU Water Tower Protection	80,000,000	-	-	-	-	-	-	
Total	**1,134,174,697**	**46,962,980**	**982,335,476**	**35,745,907**	**1,065,044,363**	**106,031,790**	**959,012,573**	10

Appendix III

Delay in Construction of Buildings

No	Name of the Project	Contract Sum	Contract Signing Date	Contract Period	Level of Completion	Amount Paid 2018/19 FY	Total Payments as 30 June, 2019
		Kshs				**Kshs**	**Kshs**
1	Proposed Model sub-county Hospital Phase 1 - Ziwa Health Centre	93,476,582	26.06.15	Fifty-two (52) weeks	11%	6,304,926.30	9,853,776
2	Proposed Model sub-County Hospital Phase 1 – Moiben Health Centre	98,246,240	25.06.15	Fifty-two (52) weeks	-	-	-
3	Kapseret Sub-County Office	33,242,000	14.05.15	Fifty-two (52) weeks	78%	-	25,874,581
4	Construction of Kipkaren River Market	3,949,990	13.05.15	Twelve (12) weeks	67%	-	2,639,425
5	Electric Fencing at Chebororwa ATC	15,323,849	13.04.15	Twelve (12) weeks	8%	-	1,153,620
6	Fire Station at Burnt Forest	5,991,353	13.05.16	Eight (8) weeks	26%	**-**	1,598,200
7	Chagaiya High Altitude Training Camp	172,310,405	29.12.16	Eighteen (18) months	35%	8,436,013	32,833,260
8	Maternity Block at Kapteldon Sub-County Hospital	19,256,658	20.02.17	Thirty-six (36) Weeks	25%	-	3,492,699
9	Construction of Maternity Ward at West Health Centre	63,005,156	29.03.17	Fifity-six (56) weeks	32%	9,663,609	20,168,054
10	Construction of Ngenyilel Vocational Training Centre	73,002,150	18.07.18	Thirty-six (36) Weeks	47%	34,476,015	34,476,015
	Total	**577,804,383**				**58,880,563**	**132,089,630**