

# REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF SIAYA FOR THE YEAR ENDED 30 JUNE, 2020

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## REPORT ON THE FINANCIAL STATEMENTS

### Qualified Opinion

I have audited the accompanying financial statements of County Assembly of Siaya set out on pages 1 to 33, which comprise the statement of financial assets and liabilities as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows, statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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 Assembly of Siaya as at 30 June, 2020, 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

#### 1.0 Variances Between IFMIS and Vote Book Balances

Comparison between the vote book balances and the IFMIS payment details balances revealed various variances as detailed below.

Items	Vote Book Total Payments (Kshs.)	IFMIS Total Payments (Kshs.)	Variance (Kshs.)
Compensation of employees	212,319,763	65,324,781	146,994,982
Transport allowance	176,383,462	145,461,294	30,922,168
Leased communication lines	4,179,861	4,087,741.00	92,120
Sundry items (Airport tax, taxi etc)	836,400	852,400	(16,000)
Subscriptions to newspapers, magazines and periodicals	356,460	326,460	30,000
Advertising awareness and publicity campaigns	4,530,302	6,764,702	(2,234,400)
Catering services (receptions) accommodation, gifts, food and drinks	25,952,975	26,273,955	(320,980)
Boards committees, conferences and seminars	8,248,270.00	8,726,270	(478,000)
Purchase of uniforms and clothing-staff	1,516,570	1,952,498	(435,928)

<b>Items</b>	<b>Vote Book Total Payments (Kshs.)</b>	<b>IFMIS Total Payments (Kshs.)</b>	<b>Variance (Kshs.)</b>
General office supplies (papers, pencils, forms, small office equipment etc)	13,595,164	13,896,024	(300,860)
Contracted guards and cleaning services	6,411,860	7,724,420	(1,312,560)
Membership fees, dues and subscription to professional and trade bodies	5,313,724	5,322,124	(8,400)
Legal dues/fees arbitration and compensation payments	15,274,000	21,258,440	(5,984,440)
Maintenance expenses (motor vehicles, machinery, office furniture and equipment)	2,835,102	2,702,419	132,683
Purchase of household and institutional furniture and fittings	798,500	1,199,540	(401,040)
<b>Total</b>	<b>478,552,413</b>	<b>311,873,068</b>	<b>166,679,345</b>

Management did not provide an explanation or reconciliation for the variances.

Under the circumstances, the accuracy of the financial statements for the year ended 30 June, 2020 could not be confirmed.

## **2.0 Unsupported Expenditure on Security Services**

The statement of receipts and payments reflects an expenditure of Kshs.330,240,966 under use of goods and services which, as disclosed in Note 5 to the financial statements, includes an amount of Kshs.50,650,456 in respect of other operating expenses. The latter balance includes an amount of Kshs.1,620,000 paid to Siaya County Administration Police Welfare for police security services offered to the County Assembly. However, the payment was irregular as it ought to have been paid to the Ministry of Interior and Coordination of National Government as Appropriation-In- Aid (AIA) for hire of security services fees. Further, no official receipts were provided acknowledging the payment.

Consequently, accuracy and propriety of the expenditure of Kshs.1,620,000 for the year ended 30 June, 2020 could not be confirmed.

## **3.0 Unsupported Foreign Travel Expenditure**

Included in the expenditure of Kshs.330,240,966 under use of goods and services is an amount of Kshs.5,402,432 in respect of foreign travel and subsistence which further includes an amount of Kshs.240,503 paid on 9 January, 2020 to a Member of County Assembly (MCA) while in Kampala Uganda for East Africa Legislative Sport Council Association (EALASCA) games. However, the Member of the County Assembly did not

provide the necessary accountable documents such as stamped copy of passport, speaker's travel authority, motor vehicle work tickets among others.

In the circumstances, the accuracy and regularity of the expenditure of Kshs.240,503 for the year ended 30 June, 2020 could not be confirmed.

#### **4.0 Unsupported Expenditure - County Assembly Forum**

The statement of receipts and payments reflects an expenditure of Kshs.330,240,966 under use of goods and services which, as disclosed in Note 5 to the financial statements, includes an amount of Kshs.50,650,456 in respect of other operating expenses. The latter balance includes an amount of Kshs.5,000,000 paid to the County Assembly Forum (CAF) during the year under review. However, CAF is not an establishment under the law and therefore the basis for making the payment could not be ascertained. Further, no documentary evidence, including an official receipt and acknowledgment letter were provided to support the expenditure.

Consequently, the accuracy and propriety of the expenditure of Kshs.5,000,000 for the year ended 30 June, 2020 could not be confirmed.

#### **5.0 Irregular and Unsupported Expenditure - Domestic Travels and Subsistence Allowances**

Included in the expenditure of Kshs.330,240,966 under use of goods and services is an amount of Kshs.109,816,336 relating to domestic travel and subsistence allowances. The latter balance includes an amount of Kshs.336,000 paid as per diems to some MCAs and staff said to be outside their work stations. However, no evidence was provided to show that the officers travelled for an oversight function in Kisumu between 27 – 29 April, 2020.

In the circumstances, the accuracy, validity and regularity of the expenditure of Kshs.336,000 for the year ended 30 June, 2020 could not be confirmed.

#### **6.0 Summary of Fixed Asset Register**

Annexure 4 on summary of fixed asset register reflects assets totalling Kshs.416,212,915 as at 30 June, 2020. The County Assembly has disclosed that a motor vehicle registration number KBY 986C Prado Landcruiser was involved in an accident and was completely burnt down. However, the County Assembly reported the cost based on the historical value of Kshs.6,330,000 instead of the compensation claims or salvage value of Kshs.5,565,000 therefore overstating the value of the motor vehicle by an amount of Kshs.765,000 as at 30 June, 2020.

Under the circumstances, the accuracy and completeness of the total asset balance of Kshs.416,212,915 as at 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Assembly of Siaya Management 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. There were no key audit matters to report in the year under review.

### **Other Matter**

#### **1.0 Budgetary Control and Performance**

The statement of comparison of budget and actual amount - recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.1,334,949,639 and Kshs.858,267,464 respectively resulting to an under-funding of Kshs.476,682,175 or 36% of the budget. Similarly, the County Assembly spent Kshs.858,100,878 against an approved budget of Kshs.1,334,949,639 resulting to an under-expenditure of Kshs.476,848,761 or 36% of the budget. The underfunding and underperformance affected the planned activities and projects which may have impacted negatively on service delivery to the residents of Siaya County.

#### **2.0 Pending Bills**

As disclosed in Note 7.10 (1) and Annex 1 to the financial statements, the County Assembly had pending bills of Kshs.38,904,465 which were outstanding as at 30 June, 2020. Management had not provided an explanation for non-payment of the pending bills. Failure to settle the bills will have a negative impact on the subsequent year's budget allocation.

## **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 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 Non-Issue of Imprest Warrants to Officers**

During the year under review, an amount of Kshs.18,446,423 was issued to various staff and Members of County Assembly as domestic travel and subsistence allowances. The amount was charged directly to the travel and accommodation instead of being issued as a temporary imprests. This is contrary to Regulation 93 (3) of the Public Finance

Management (County Governments) Regulations, 2015 which states that temporary imprests shall be issued in respect of official journeys and are intended to provide officers with funds with which they can meet travelling, accommodation, and incidental expenses.

Consequently, the Management was in breach of the law.

## **2.0 Compensation of Employees - Wage Bill**

The statement of receipts and payments reflects an expenditure of Kshs.305,351,305 under compensation of employees which translates to 36% of the total Assembly's receipts of Kshs.858,267,464 in the year under review. This is contrary to Section 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015, which states that the County Government expenditure on wages and benefits for public officers should not exceed 35% of the County Government total revenue.

The Management was therefore, in breach of the law.

## **3.0 Staff Ethnic Composition**

A review of personnel records indicated that out of the eighty-five (85) employees of County Assembly, seventy-four (74) or 87% were from the dominant ethnical community of Siaya County. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which stipulates that no public establishment shall have more than one third of its staff from one ethnic community.

Management was in breach of the law, to this extent.

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 matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section 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.

## **Audit and ICT Committees**

Although the County Assembly has constituted both the Audit Committee and ICT Steering Committee as required, the following weaknesses were noted:

- i. The Audit Committee did not have a documented risk management policy and a risk profile that identifies potential threats to the County Assembly and defines strategy to eliminate or minimize the impact of these risks. Further, the Accounting Officer did not provide periodic updates of the Audit Committee activities through the Assembly website as stipulated under Paragraph 4.7.1. (iv) of Gazette Notice No.2690 (Vol CXVIII—No. 40 dated 15 April, 2016 on providing periodic updates of Audit committee activities through the website.
- ii. Further, the County Assembly website link for the strategic plan was not functioning in line with the requirement of the Information, Communication and Technology Authority (ICTA) Kenya standard that defines the process that ensures the effective and efficient use of Information Technology (IT) to enable government institutions to achieve its goals.
- iii. No evidence was provided to confirm that the Audit Committee reviewed the financial statement before being submitted to the Office of the Auditor-General which would assist the Assembly to minimize some of the inherent risks that have been exhibited in the financial statement.

In the circumstances, the effectiveness of the County Assembly internal control and risk management during the year ended 30 June, 2020 could not be confirmed.

## **Basis for Conclusion**

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 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 Assembly'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 the intention to dissolve the County Assembly or to cease operations.

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

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



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**02 November, 2021**