

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF BOMET FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Executive of Bomet set out on pages 1 to 65, which comprise the statement of assets and liabilities as at 30 June, 2020, and statement of receipts and payments, statement of cash flows and the 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 Bomet 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 Inaccuracies in Financial Statements

The financial statements contain the following inaccuracies:

- i. The statement of assets and liabilities as at 30 June, 2020 reflects accounts payable-deposits and retentions totalling Kshs.40,259,597 whereas Note 21A on bank balances reflects County deposits account bank balance totalling Kshs.109,575,065 resulting to an unexplained variance of Kshs.69,315,468.
- ii. The summary statement of appropriation: recurrent and development combined reflects actual exchequer releases balance totalling Kshs.5,033,489,400 whereas the statement of receipts and payments reflects Kshs.5,451,814,911 in respect to the account resulting to an unreconciled variance totalling Kshs.418,325,511.
- iii. The statement of cash flows reflects other adjustments totalling Kshs.40,259,595 that have not been referenced for explanation in the notes to the financial statements.

In view of these discrepancies the accuracy of the financial statements could not be confirmed.

2.0 Unsupported Balances

Several balances reflected in the financial statements are not sufficiently supported with records to confirm their occurrence, accuracy, completeness, propriety or validity:

2.0.1 Balances that Differ with their Supporting Schedules

Three accounts reflected in the statement of receipts and payments namely, Income from Profits and Dividends, Business Permit Income and Support to Bomet Water Company Limited reflect balances that differ from those computed in their respective supporting schedules presented for audit as follows:

Account	Amounts in Statement of Receipts and Payments (Kshs.)	Amount in Supporting Schedule (Kshs.)	Variance (Kshs.)
Income from Profits and Dividends	14,769,212	16,316,212	(1,547,000)
Business Permit Income	23,169,572	18,934,900	4,234,672
Support to Bomet Water Company	91,900,000	93,000,000	(1,100,000)

No explanation has been provided for the differences and as a result, the accuracy, validity and completeness of the balances could not be confirmed.

2.0.3 Compensation of Employees

The statement of receipts and payments reflects compensation of employees costs totalling Kshs.2,335,324,255, as further disclosed in Note 11 to the Financial Statements. Examination of records on the expenditure disclosed two large unconfirmed balances:

2.0.3.1 Salaries for Contract Employees

Included in the expenditure is Kshs.22,329,622 paid to twelve (12) officers denoted as contract employees. However, their respective contracts were not provided for audit review and as a result, the accuracy and propriety of the payments made to them as compensation, and the employees costs totalling Kshs.2,335,324,255, for the year under review, could not be confirmed.

2.0.3.2 Salaries Paid Outside the Prescribed Payroll

The statement of receipts and payments and Note 11 to the financial statements reflect compensation of employees expenditure totalling Kshs.2,335,324,255 for the year under review. However, one thousand nine hundred and sixty (1960) employees with gross salaries totalling Kshs.642,233,467 were paid through a separate electronic payroll purchased by Management. No proper explanation was provided for the failure to use the Integrated Payroll and Personnel Data base (IPPD) system prescribed by The National Treasury for public entities. Further, audit review of monthly payrolls from the off-shelf software revealed that the payrolls lacked details of dates of appointment, date of birth, paying bank account, work station and date of retirement. As a result,

the accuracy, completeness and validity of the compensation of employees payments totalling Kshs.2,335,324,255 could not be confirmed.

2.0.4 Use of Goods and Services

The statement of receipts and payments reflects use of goods and services payments totalling Kshs.1,012,387,021, as further disclosed in Note 12 to the financial statements. However, the following unsatisfactory matters were noted in relation to items included in the balance:

2.0.4.1 Variances Between Financial Statements and Ledger Balances

Several account balances reflected in the financial statements differ from the Integrated Financial Management Information Systems (IFMIS) trial balance as at 30 June, 2020 as shown in Appendix I to this report.

No explanation was provided by Management for the differences and as a result, the accuracy and completeness of the balances could not be confirmed.

2.0.4.2 Purchase of Specialized Materials

The specialised materials and services expenditure totalling Kshs.250,698,645 includes Kshs.32,147,875 spent on procurement of specialized materials. However, records to confirm receipt and issuance of the materials were not presented for audit.

2.0.4.3 Misclassified Expenditures

Audit review of expenditure ledgers revealed misclassifications of payments totalling Kshs.182,664,312, as shown in Appendix II.

In view of the misclassified expenditures, the use of goods and services expenditure totalling Kshs.1,012,387,021 for the year ended 30 June, 2020 is not fairly stated.

2.0.4.4 Repair and Maintenance of Motor Vehicles

Records on use of goods and services indicated that Kshs.24,267,787 was spent on routine maintenances of vehicles and other transport equipment. The payments totalling Kshs.4,728,150 were paid to various garages for the repairs of motor-vehicles. However, inspection reports on the vehicles repaired were not provided for audit review. Further, the defects were not recorded in the respective vehicle work tickets and log books as regulations require. In view of the omissions and missing records, the occurrence and propriety of the payments totalling Kshs.4,728,150 could not be confirmed.

2.0.4.5 Routine Maintenance of Other Assets

Payments for routine maintenance of other assets totalling Kshs.20,811,577 includes Kshs.14,407,624 not supported by pre and post repair inspection reports done by the Maintenance Unit. As a result, the occurrence, accuracy and propriety of the payments could not be confirmed.

2.0.4.6 Hire of Ambulances

Expenditure records indicated that Kshs.38,761,879 was spent on hire of ambulances for emergency medical services. However, procurement documents and schedules of rescue operations undertaken by the ambulances including pick-up and drop-off points and details on patients served, were not provided for audit review.

Consequently, the propriety of the payments totalling Kshs.38,761,879 spent on hire of ambulances and maintenance of vehicles and other assets could not be confirmed.

2.0.5 Transfer to Other Government Units

The statement of receipts and payments reflects transfers to other government entities totalling Kshs.1,004,635,448, as detailed in Note 14 to the financial statements. Included in the balance are cash transfers to health facilities totalling Kshs.199,284,563 out of which a sum of Kshs.10,680,195 was not accounted for by way of expenditure returns. Further, Kshs.90,353,894 of the cash transfers to health facilities was spent on procurement of COVID-19 medical equipment whose tender documents and stores ledgers were not provided for audit review.

In the circumstance, the accuracy and propriety of cash transfer payments to health facilities totalling Kshs.199,284,563 reported in the year under review could not be confirmed.

2.0.6 Grant to Vocational Training

The statement of receipts and payments reflects other grants and payments totalling Kshs.423,061,786, as further disclosed in Note 15 to the financial statements. Included in the balance are transfers for scholarships and other educational benefits totalling Kshs.86,362,263, out of which Kshs.62,704,156 was transferred to various polytechnics. However, expenditure returns confirming receipt and use of the funds by the polytechnics were not provided for audit. As a result, the accuracy and propriety of other grants and payments totalling Kshs.423,061,786 for the year ended 30 June, 2020 could not be confirmed.

2.0.7 Acquisition of Assets

The statement of receipts and payments reflects acquisition of assets costs totalling Kshs.1,521,820,161 incurred in the year under review, and as further disclosed in Note 17 to the financial statements. The following unsatisfactory matters were however noted in regard to the expenditure:

2.0.7.1 Hire of Tippers

Included in the acquisition of assets costs are construction of road costs totalling Kshs.108,983,327 which in turn include Kshs.59,340,258 reportedly spent on hire of tippers and building of road culverts. However, review of County work plans and road works monitoring and evaluation reports, revealed that all roads maintained during the year under review were done under other contracts that were procured and paid for

separately. Further, records on the hired tippers, including work plans and operational schedules, roads-maintained and work inspection reports were not provided for audit.

Consequently, the propriety of the expenditure totalling Kshs.59,340,258 on hire of tippers and on building of culverts services reported in the year under review could not be confirmed.

2.0.7.2 Misclassified Payments

Examination of sampled expenditures on acquisition of assets revealed various misclassified items totaling Kshs.86,402,117 as detailed out below:

Expenditure Description	Correct Account	Acquisition of Assets Account Charged	Amount Misclassified (Kshs.)
Hire of Tippers, Construction of Roads, Supply and Delivery of Pasture, Seedlings and Grow Bags	Various	Purchase of Buildings	10,509,950
Hire of Tippers and Construction of Buildings.	Various	Refurbishment of Buildings	17,649,033
Funds Transfer to Imprest Account, AIEs Transfers-No Sub-schedules	Various	Other Current Transfer Grants	58,243,134
Total			86,402,117

In view of the incorrect classification of these items, acquisition of assets costs totalling Kshs.1,521,820,161 reflected in the statement of receipts and payments are not fairly stated.

2.0.8 Bank Balances

The statement of assets and liabilities and Note 21 to the financial statements reflect bank balances totalling Kshs.609,118,026 as at 30 June, 2020, and as further reflected in Note 21 to the financial statements. However, bank balances in fourteen (14) bank accounts operated by the County Executive in commercial banks were not supported by certificates of bank balances, cash books and bank reconciliation statements. Further, the County Executive operated two (2) imprest bank accounts but authority granted by the County Treasury was not provided for audit and as a result it was not possible to confirm whether they were opened and ran in accordance with the law.

In the circumstance, the accuracy and fair statement of the reported bank balances totalling Kshs.609,118,026 as at 30 June, 2020 could not be confirmed.

2.0.9 Fixed Assets

The summary of fixed assets register at Annex 5 to the financial statements reflects assets with historical costs totalling of Kshs.5,855,848,723 as at 30 June, 2020.

However, verification of the assets acquired during the year under review indicated that these were not tagged, contrary to Section 136 of the Public Finance Management (County Governments) Regulations, 2015. The provision requires each Accounting Officer to maintain a register of all assets under his control. Further, ownership documents for land parcels valued at Kshs.49,717,599 were not provided for audit.

In view of the missing records, ownership by the County Executive of the land valued at Kshs.49,717,599 and the accuracy, fair statement of the assets totalling Kshs.5,855,848,723 as at 30 June, 2020 could not be confirmed.

2.0.10 Pending Bills

Note 18.1 of other important disclosures to the financial statements discloses pending accounts payables balances totalling Kshs.696,052,764 as at 30 June, 2020. However, the following anomalies were noted in relation to the balance:

- i. Records provided for audit indicated that the balance was arrived at after an upward adjustment by Kshs.207,670,598 to the previous balance on record totalling Kshs.488,382,166. However, minutes of the Pending Bills Committee meeting that approved the change were not provided for audit review. As a result, the validity and accuracy of the adjustment could not be confirmed.
- ii. The bills reflected in Annex 2 amounted to Kshs.622,834,065 and therefore differ by Kshs.73,218,699 from the sum of Kshs.696,052,764 reflected in the summary. Further, the disclosure at Annex 2 does not indicate aggregate payments made to the creditors as at 30 June, 2020.
- iii. Included in the pending bills totalling Kshs.125,629,006 paid in the year under review are payments totalling Kshs.105,199,699 for motor vehicle spare parts and hire of road works vehicles, hospitality expenses and software costs. However, these expenditures were not supported with records on user requisitions and receipt and use of the goods and services procured.
- iv. The special report of the Auditor-General dated 15 March, 2019 on pending bills referenced KK/AUD/OAG/JCT/000269 reflected pending bills totalling Kshs.1,190,167,877 as at 30 June, 2018 which differed from the pending bills balance brought forward totalling Kshs.366,764,128 in the financial statements for the year under review.
- v. Contracts valued at Kshs.23,485,095 described as terminated, and Kshs.120,951,610 with no description of work done, have been included in the pending bills balance.

In view of these issues, the accuracy, validity and completeness and valuation of the pending accounts payable balance totalling Kshs.696,052,764 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 County Executive of Bomet 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. I have determined that there are no key audit matters to report in the year under review.

Other Matter

1.0 Budgetary Control and Performance

1.1. Revenue Budget

The summary statement of appropriation: recurrent and development combined reflects budgeted revenue and actual receipts on comparable basis totalling Kshs.7,512,699,158 and Kshs.6,711,538, 419 respectively, resulting in a revenue shortfall of Kshs.801,160,739 or 11% of the budget. The shortfall mainly resulted from undisbursed exchequer releases and proceeds from foreign grants/development partners budgeted for the year.

1.2. Expenditure Budget

The summary statement of appropriation: recurrent and development combined reflects actual expenditure totalling Kshs.6,366,194,972 against the realized budget totalling Kshs.6,711,538,419 resulting to under-expenditure of Kshs.345,343,447. Management attributed the under-expenditure to the shortfall in revenue and delay in passing of the Division of Revenue Bill at the Senate.

This shortfall in revenue and the under-expenditure constrained implementation of projects and delivery of goods and services planned to benefit the residents of Bomet County.

2.0 Prior Year Issues

The audit report for the previous year had highlighted several issues on the financial statements for the year and on lawfulness and effectiveness in use of resources. Annex 9 of Other Important Disclosures contains Management's report on progress made in following-up on auditor recommendations on the matters. The report indicates that all of the issues have been resolved but does explain their manner of resolution.

The actual status of the issues shall be confirmed after they are deliberated upon by the Legislature.

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 Unsatisfactory Implementation of Projects

The Project Implementation Status Report as at 30 June, 2020 disclosed 463 projects with contract sums totalling Kshs.2,252,267,254 at different stages of execution as detailed out below:

Project Status	Count	Contract Sum (Kshs.)
Completed Projects	330	1,247,858,731
Incomplete/Ongoing/Stalled	104	930,425,117
Contract Terminated	1	1,562,126
Not Started	28	72,421,281
Total	463	2,252,267,255

The table indicates one hundred and four (104) projects with contracted sums totalling Kshs.930,425,117 or 41% of the portfolio were either incomplete, were ongoing or had stalled. Consequently, the residents were yet to receive the public services that were to be provided through the projects.

Physical verification of thirty-four (34) sampled projects contracted at an aggregate sum of Kshs.332,580,838 revealed several unsatisfactory issues on their implementation, as highlighted in **Appendix III** to this report.

The issues included irregular procurement of works, low quality and delayed completion of works, unauthorized variations of project scope and materials as well as stalling and abandonment of some projects. As a result of the anomalies, the residents of Bomet County may not receive value for money on the projects worth Kshs.332,580,838.

2.0 Irregular Expenditure

Examination of expenditure records disclosed several instances that payments for goods and services were made in disregard to laws and regulations, as explained in the following paragraphs:

2.01 Payments to Council of Governors

Examination of expenditure records indicated that payments totalling Kshs.8,864,851 were made to the Council of Governors in the year under review, ostensibly to help the Council meet some of its operational expenses.

However, Section 37 of the Inter-Governmental Relations Act, 2012 provides that all operational expenses of the Council shall be met from the budget of the National Government.

Therefore, the payments totalling Kshs.8,864,851 were irregular.

2.02 Payments for Fuel and Lubricants

Expenditure records further indicated that Kshs.12,327,412 was paid to various fuel suppliers in advance. The payments were made contrary to Section 146 of the Public Procurement and Asset Disposal Act, 2015 which provides that, contracts for works, goods or services may only be paid for after they are executed and approved by the Accounting Officer. In addition, the respective tender documents, supply contracts, fuel registers, detailed orders and work tickets were not provided for audit and as a result, the validity of the procurement process and propriety in supply and use of the fuel valued at Kshs.12,327,412 could not be confirmed.

To the extent, the Management is in breach of the law.

2.0.3 Payments Made Outside IFMIS

Examination of imprest records indicated that Kshs.90,099,635 was reportedly spent on public participation activities funded through imprests issued to various officers. This was contrary to Regulation 82(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 and Paragraph 6.7.6 (v) of the County Financial Accounting and Reporting Manual both of which prohibit payments to be made out of petty cash should not exceed Kshs.10,000 per item in financial year.

To the extent, the Management breached the law on management of cash expenditures.

3.0 Lack of Sufficient Disclosure on Managed Medical Equipment Contract

Included in specialized materials and services costs totalling Kshs.250,698,645 is Kshs.95,744,680 being payment towards annual leased medical equipment supplied by the National Government. However, although the equipment was in use, the lease agreement detailing the scope of the programme including equipment types, costs, specifications and quantities were not provided for audit review.

Further, the equipment was not included in the County Government's assets records and consequently, accounting for their use and custody was inadequate.

In view of the insufficient disclosures on the managed medical equipment contract, it was not possible to confirm whether value for money was obtained from payments totalling Kshs.95,744,680 made in respect to the contract in the year under review.

4.0 Non-Compliance with Law on Establishment of Emergency Funds

The County Executive established the Bomet County Disaster and Emergency Fund through the Bomet County Disaster and Emergency Management Act, 2014. The Act provides that the Fund should be managed by the County Disaster Council.

However, the provision is contrary to Section 111(1) of the Public Finance Management Act, 2012 which provides that a County Emergency Fund should be administered by the County Executive Committee Member for Finance in accordance with the framework and criteria approved by the County Assembly.

Therefore in establishing the operational structure of Fund, Management may have breached the law.

5.0 Weaknesses in Revenue Collection Systems

Audit review of the revenue management system and records disclosed the following weaknesses that may be hampering the County Executive from attaining its revenue collection goals:

5.01 Inefficient Revenue Collection Software

The County Executive in May, 2019 contracted a software provider to supply a revenue collection solution for a period of three (3) years. Installation and implementation fees totalling Kshs.45,356,203 were paid in the first year. Annual maintenance fees totalling Kshs.6,803,430 were to be paid in the second and third years. However, upon installation, the software was not integrated with the Integrated Financial Management Information System (IFMIS) and (LAIFOMS) and Integrated Payroll and Personnel Database (IPPD) as provided for in Paragraph 2.1.11 of the contract agreement

Further, expenditure records indicated that the average cost of implementing and operating the software each year was Kshs.19,654,355. However, analysis of financial statements for the years it has been in use revealed that revenues collected through the software averaged Kshs.23,748,742 each year. Therefore, purchase of the software may have been a bad investment given its initial costs totalling Kshs.45,356,203 and outflow of cash totalling Kshs.19,654,355 it causes every year. As a result, the County may not have obtained value for money by procuring the software.

5.02 Un-Updated Land Valuation Roll

Included in county own-generated receipts are land rates receipts totalling Kshs.44,776,748 reported under other property income. However, the valuation roll used to bill the plot owners has not been updated for several years to reflect the appreciating land values. Management explained that a new roll had been finalized but had not been prepared for use. Consequently, the County property rates and income realized in the year under review were not optimal and may have resulted in under-collection of revenue.

5.03 Long Outstanding Land Rates

Examination of land records disclosed arrears of revenue totalling Kshs.252,260,438. However, there was no evidence of any concerted efforts having been made by Management to enforce the collections as provided for under Section 63(1) of Public Finance Management (County Governments) Regulations, 2015.

In addition, the collector of revenue did not provide satisfactory reasons for the failure to collect the arrears by making a report to the County Executive Committee Member of Finance and Economic Planning as provided for in Section 63(2) of the Regulations.

5.04 Failure to Prepare Statement of Receipts and Arrears of Revenue

According to Section 165(1) and 165 (2)(b) of the Public Finance Management Act, 2012, at the end of each financial year, each Receiver of Revenue is required to prepare a statement in respect of revenue collected, received, recovered and arrears during the year.

However, Management did not prepare the statement for the year under review and are therefore in breach of the law.

6.0 Failure to Comply with One-Third Basic Salary Rule

Examination of the payroll for July, 2019 revealed that net salaries for forty-eight (48) employees were less than one-third of their basic pay contrary to Section 19(3) of the Employment Act, 2007. The provision requires the total amount of all deductions which may be made by an employer from the wages of his employee at any one time not to exceed two-thirds of basic pay.

Therefore, Management was in breach of the law and, in addition, exposed the officers to the risk of pecuniary embarrassment.

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 Conclusion on Effectiveness of Internal Controls, and 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.

Basis for Conclusion

1.0 Lack of Risk Management Policy

Contrary to Section 158 of the County Governments Regulations, 2015, (1), the County Executive did not have in place a documented risk management policy for identifying, measuring and mitigating operational and other risks that the County Executive may face. The law requires the Accounting Officer to ensure that the County Government develops a system of risk management and internal control that builds robust business operations.

In the circumstance, Management lacks objective means to manage operational and other risks in an effective way.

2.0 Lack of Asset Management Policy

Review of the internal controls system indicated that Management had not established an asset management policy to guide acquisition, maintenance and replacement of fixed assets. As a result, the risk of ineffective investment in, and use of the assets, was high.

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 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 Executive.

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 scepticism 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 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 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.



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 December, 2021

Appendix I

Differences Between Financial Statement and Ledger Balances

Component		Financial Statements Balance (Kshs.)	IFMIS Trial Balance (Kshs.)	Variance (Kshs.)
1.	Bank Balances	609,118,026	(8,158,111,206)	8,767,229,232
2.	Exchequer Releases	5,451,814,911	0	5,451,814,911
3.	Proceeds from Domestic and Foreign Grants	156,322,688	0	156,322,688
4.	Transfers from Other Government Entities	146,667,000	0	146,667,000
5.	County Own Generated Receipts	201,510,614	0	201,510,614
6.	Returned CRF Issues	755,223,206	0	755,223,206
7.	Social Security Benefits	33,617,878	10,194,660	23,423,218
8.	Other Payments	34,876,223	36,163,223	(1,287,000)
9.	Other Grants and Transfers	423,061,786	66,009,485	357,052,301
10.	Finance Costs, including Loan Interest	472,200	127,961,164	(127,488,964)
11.	Transfers to Other Government Units	1,004,635,448	682,002,512	322,632,936
12.	Accounts receivables – Outstanding Imprests	0	735,152,956	(735,152,956)
13.	Use of Goods and Services	1,012,387,021	830,050,149	182,336,872
14.	Acquisition of Assets	1,521,820,161	1,298,225,837	223,594,324
15.	Compensation of Employees	2,335,324,255	2,358,709,990	(23,385,735)
16.	Cash Balances	0	5,868,824,677	(5,868,824,677)
17.	Accounts Payables – Deposits and Retentions	40,259,597	22,120,908,698	(22,080,649,101)

Appendix II

Misclassified Expenditures

Expenditure Description		Correct Vote	Vote Charged	Amount (Kshs.)
1.	Transfer to Imprest Account- purchase of printers, uniforms, fuel, repairs, telephone services, printing and advertising services.	Various	Domestic Travel	69,509,121
2.	Transfer to imprest account -payment for hospitality services, car wash machines and water tanks, meal allowances payment for purchase of business cards.	Various	Training Expenses	25,096,135
3.	Transfer to imprest account- purchase of software, office expenses and domestic travel, accommodation and subsistence allowance and facilitation of undescribed public function.	Various	Other Operating Expenses	88,059,056
Total				182,664,312

Appendix III

Project Verification Status

	Project/Program Name	Contract Price (Kshs.)	Expenditure to Date (Kshs.)	Estimated Work to Completion	Observations Made
1.	Bomet East Sub County/Ward Headquarters	12,300,242	-	30%	<ul style="list-style-type: none"> • Introduced bricks for partitions instead of the prescribed stones. • Poor alignment of walling • Stalled at the ring beam level.
2.	Sotik Sub County Headquarters	4,667,987	-	60%	Stalled and seemingly abandoned - no contractor on site.
3.	Chemagel Ward Office 2013/2014	5,193,668	-	30%	Stalled. Abandoned after roofing. Finishing works not done.
4.	Kipsonoi Ward Office 2016/2017	7,294,130	-	95%	The compound was bushy and the project seemed abandoned. External drainage works and landscaping not done. Fencing not done and Septic tank incomplete, toilet 60% complete.
5.	Rongena/Manaret Ward Office 2013/2014	5,059,355	-	50%	Stalled and abandoned after roofing. Contractor not on site. Finishing works not done.
6.	Ndanai/Abosi Ward Office 2013/2014	5,058,402	-	80%	Stalled. Abandoned at roofing Level. Contractor not on site. Finishing works half-way done.
7.	Chebunyo Ward Office	7,083,000	771,639	60%	Stalled and abandoned after roofing. Finishing works and landscaping works not done. Contractor not on site.
8.	Kong'asis Ward Office	6,897,810	-	50%	Stalled and abandoned after roofing.
9.	Nyangores Ward Office	7,042,921	-	35%	Stalled and abandoned after floor slab and walling. The wall was leaning and looked like it could collapse.
10.	Siongiroi Ward Office	6,607,731	5,304,731	80%	Ceiling not painted. External toilets appeared like they could cave-in. No lighting and no gutters installed. Verandas not tiled.
11.	Chesoan Ward Office 2013/2014	4,404,548	-	30%	Stalled after beam was built. No finishing works.

	Project/Program Name	Contract Price (Kshs.)	Expenditure to Date (Kshs.)	Estimated Work to Completion	Observations Made
					No land ownership documents. Abandoned after ring Partitioning done with bricks instead of hard stones.
12.	Kembu Ward Office	4,287,701	-	65%	No eaves boarding. Keying not painted black. No waterproof material installed on the scattling. PVC ceiling installed instead of prescribed chipboard. The PVC ceiling was falling off No gutters installed Tile works had no corner bars. Windows installed required repairs. Plumbing works poorly done. Too steep ramps outside and inside the building. Kitchen not installed Electric conduits installed but no wiring done.
13.	Chemaner Ward Office CGB/ADM/CMR/0 12/14/15	6,897,806	2,439,193	30%	Works commencement date was 13 July, 2015, contract duration six months. Award of contract was made on 6 June, 2015. All finishing works not done.
14.	Kiprerres Ward Office CGB/ADM/006/20 17/18	5,084,700	6,285,500	95%	Wiring and plumbing works not done. Contract varied up by Kshs.1,200,800. No variation report - validity of the variation could not be confirmed. Contractor not on site and no ongoing work.
15.	Mogogosiek Ward Office 2013/2014	6,992,861	-	50%	Stalled and abandoned after roofing and fixing of windows. Contractor not on site. Finishing works not done
16.	CDG Training and Capacity Building Centre	12,500,000	-	0%	Was not started due to limited budget. No letter of contract termination.
17.	Construction of Siomo-Targambei Bridge	9,627,704	3,500,420		Contractor not on site. Only pillars constructed. Road not opened on both sides. The project appeared to have stalled.

	Project/Program Name	Contract Price (Kshs.)	Expenditure to Date (Kshs.)	Estimated Work to Completion	Observations Made
18.	Maternity Ward at Kipsonoi Health Center 2013/2014	15,000,000			Project started by NGCDF Konoin 2013. Taken over by County Government hereafter. 1 Stalled and abandoned for seven years. No Project file
19.	Maternity Ward - Chebago Health Center 2014/2015.	3,322,791			Stalled and abandoned at after floor. Slab and four courses were done.
20.	SOT Technical Institute Borehole.	2,057,336			Complete but did not yield any water. No feasibility study done before drilling. No report on review of boreholes drilled earlier in the locality.
21	Various Water Projects	83,042,096			Most of the pipeline extensions were constructed on private land making it difficult to confirm its length. No agreement with land owners. Boreholes drilled failed to yield water. Lack of land ownership documents. No water supplied to the Community.
22.	Rehabilitation of Itare (Mogogosiek-Kapletundo-Kaplong) Water Supply Pipeline	66,241,770			The Project was incomplete. No contract timelines.
23.	Kanyongoro-Chemelet Pipeline Extensions	3,992,478			The Pipeline was constructed on private land. It was not connected to the water intake hence no water to the Community. The certificate of completion was not provided though the contractor had been paid in full contract amount.
24.	Construction of Slaughter House at Kapcharareny Trading Centre	3,161,641	2,055,250		The Local Service Order (LSO) was issued on 12 th June, 2019 and the duration of the contract was 3 months. The expected date of completion was September, 2019. However, the project

	Project/Program Name	Contract Price (Kshs.)	Expenditure to Date (Kshs.)	Estimated Work to Completion	Observations Made
					had not been completed as at November, 2020 - 14 months delay. The NEMA clearance certificate was not provided. The project had stalled and the contractor was not on site. No land ownership documents. No access road to the project. Further, the procurement process and implementation of the project was not supported with public participation minutes, advertisement for open tender, contract agreement and inspection certificates.
25.	Completion of Fresh Produce Pack House at Youth Farmers Trading Center	13,467,752	10,095,178 (75%) of the Contract Price		The project was yet to be completed 10 months after its expected date of completion. Contractor was not on site no authority to extend the contract period. The project has been marked X by NCA due to non-compliance with building regulations. No details of take over from the first contractor.
26.	Construction of Milk Processing Plant at Chebunyo Tender No. CGB/AGRI/MKT/0 04/2018/19	13,467,752			No advertisement for a competitive tender. The contract agreement was dated 14 June, 2018 while the award of contract was dated 15 May 2019 and the LSO 22 May, 2019. Therefore the agreement was signed nine (9) months before the award of the tender. Contractor took 118 days to start the works. Contract start date Indicated as 19 September, 2020 1 st Certificate payment of Kshs.4,106,984(46%) without certificate of work done. No File to confirm the status of the project.

	Project/Program Name	Contract Price (Kshs.)	Expenditure to Date (Kshs.)	Estimated Work to Completion	Observations Made
					National Environment Management Authority (NEMA) and National Construction Authority (NCA) clearance certificate were not provided for audit. The contractor was not on site.
27.	Construction ECD Classroom	1,649,192		Complete	The building is poorly done- the floor and the blackboard exhibited cracks.
28.	Construction of ECD classroom Luluzik Primary School.	284,235		Ongoing	Project is incomplete. No Bills of Quantities (BQs), the work has been done at roofing level and the contractor was not on site.
29.	Construction (ECD) Classroom at Ndabibi Primary School.	1,047,000		Complete	Complete but not put to use.
30.	Construction of Jua Kali Shade at Mogogosiek Market Centre Commencement date: April, 2019 Tender No.CGB/TETII/00 2/2018-2019.	4,363,108	4,363,108		Complete but not put to use. Washrooms incomplete
31.	Kembu Jua kali Shade, Kembu Ward Tender No. CGB/TETII/001/20 19/20 Commencement Date: May, 2020	4,483,121	3,766,304		Project not labelled. Washrooms not complete. The Jua kali shade was complete but had not been put to use.
	Total	332,580,838			