

# **REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE SAMBURU THE YEAR ENDED 30 JUNE, 2020**

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Adverse Opinion**

I have audited the accompanying financial statements of County Executive of Samburu set out on pages 1 to 91 which comprise the statement of assets and liabilities as at 30 June, 2020, statement of receipts and payments, statement of cash flows, 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, because of the significance of the matters described in the Basis for Qualified Opinion section of my report, the financial statements do not present fairly, the financial position of the County Executive of Samburu 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 do not comply with the Public Finance Management Act, 2012 and the County Governments Act, 2012.

### **Basis for Adverse Opinion**

#### **1.0 Discrepancies in Management Report and Financial Statements**

The Key Management Information Report and the financial statements contain numerous discrepancies, as outlined below:

##### **1.1 Omissions and Errors**

- i. The financial statements are titled 'County Government of Samburu' without denoting that they are specific to the County Executive.
- ii. The information provided on key members of Management at Page iii does not include the profile of the County Secretary.
- iii. The report on expenditure for the year at page xi indicates that the County Executive equipped 24 boreholes during the year under review whereas the operational performance report at page xiv indicates that seventeen (17) boreholes were equipped.

- iv. Contrary to the requirements of Paragraph 19 of IPSAS (Cash Basis), the summary statement of appropriation: recurrent and development combined does not provide footnotes on various under-expenditures and adjustments totalling Kshs.1,281,017 made on the budget for the year. Further, the statement does not indicate the surplus or deficit amount for the year under review.
- v. Important disclosures in Note 5 to the financial statements on establishment of other County Government entities at page 43 have omitted Maralal Municipality and Samburu County Persons Living with Disabilities Fund both of which are in operation.
- vi. Annex 3 - analysis of pending staff payables does not indicate the aggregate sum of payables as at 30 June 2020.
- vii. The asset classes reflected in Annex 5-summary of fixed assets register- at page 104 do not correspond with the asset disclosures in Note 17- description of assets. The former reflects 19 classes of assets whereas the latter reflects 9 (nine).
- viii. Disclosures on Inter-entity transfers at page 106 have not been signed off by the Director of Finance and as a result, their validity has not been confirmed.
- ix. Pages iii to xv of the financial statements do not have headers.
- x. Note 1 on page 41 on other important disclosures - pending accounts payables- indicates that detailed analyses of the payables are reflected in Annex 1 to the financial statements. However, actual analyses are reflected in Annex 2. Further, the attached annex reflects pending accounts balances as at 30 June, 2019 instead of 30 June, 2020.
- xi. The disclosures at Note 1- pending staff payables at page 41 make reference to detailed analysis at Annex 2 instead of Annex 3. Similarly, the disclosures at Note 3, other pending payables at page 41 makes reference to a detailed analysis at Annex 3 instead of Annex 4.
- xii. The disclosure on accounts receivables-outstanding imprests in Note 22 to the financial statements does not indicate the amounts of imprests issued and surrendered.
- xiii. Annex 8 on pending bills owed by the defunct local authorities at page 108 reflects a balance of Kshs.34,877,937 for the year comprised of Kshs.31,837,590 and Kshs.3,040,347 owed to the defunct County Council of Samburu and Town Council of Maralal respectively. However, detailed analyses of the balances have not been provided.

## 1.2 Inaccuracies and Misstatements

The annual report and financial statements contain the following discrepancies:

- i. The Foreword by the County Executive Committee Member (CECM) for Finance, Economic Planning and Information Communication Technology at Page Vii indicates that the County Executive had in the year under review budgeted for revenues totaling Kshs.5,615,006,285. However, the balance differs with the revenue budget balance totalling Kshs.6,075,395,125 reflected in respect to the account in the statement of appropriation: recurrent and development combined, resulting to an unexplained variance of Kshs.460,388,840.
- ii. In addition, the Foreword highlights a cash and cash equivalents balance of Kshs.485,008,631 as at 30 June, 2020 whereas, the statement of financial assets and liabilities reflects a balance of Kshs.1,546,199,279 resulting to an unexplained variance of Kshs.1,061,190,648.
- iii. The statement of receipts and payments reflects payments totalling Kshs.5,182,428,104 whereas the statement of appropriation: recurrent and development combined reflects Kshs.4,692,131,086 resulting to an unexplained variance of Kshs.490,297,018.
- iv. The disclosure in Note 9 to the financial statements reflects County own-generated receipts totalling Kshs.215,349,580 but a recast of the balances included therein yields Kshs.215,069,579 resulting to an unexplained variance of Kshs.280,001.
- v. The statement of receipts and payments reflects comparative transfers (receipts) from other government entities totalling Kshs.213,955,254. However, the balance does not tally with the sum of Kshs.224,702,414 reflected in Note 3 to the financial statements resulting to an unexplained variance of Kshs.10,747,160.

The disclosure in Note 24 to the financial statements reflects a fund balance totalling Kshs.1,388,400,396 but a recast of the amounts shown as comprising the balance yields a sum of Kshs.1,386,700,686 resulting to an unexplained variance of Kshs.1,699,710.

- vi. The statement of receipts and payments reflects use of goods and services expenditure totalling Kshs.1,516,808,956, as further disclosed in Note 12 to the financial statements. The balance includes other operating expenditure totalling Kshs.827,507,583 which in turn includes cash transfers totalling Kshs.159,861,552 from the County Revenue Fund as outlined below:

<b>Date</b>	<b>Payment Voucher No.</b>	<b>Payee</b>	<b>Amount (Kshs.)</b>
24-10-2019	724	Samburu County Narig Operational Account	6,500,000
06-03-2020	2002	Samburu County Ideas Project Account	32,288,748
30-03-2020	2236	ASDP II Special Purpose Account	10,747,160
30-06-2020	2839	Samburu County Narig Operational Account	100,325,644
30-06-2020	3430	Samburu County Narig Operational Account	10,000,000
<b>Total</b>			<b>159,861,552</b>

The funds were held in Project accounts operated with commercial banks as at 30 June, 2020 and therefore, did not qualify as expenditure items as their reflection in the statement of receipts and payments is intended to portray.

As a result of the incorrect treatment of the transfers, the expenditure on goods and services is overstated by Kshs.159,861,552 and the surplus for the year understated by the same amount.

In view of these matters, the financial statements and the Management report do not provide adequate disclosure on the financial position of the County Executive as at 30 June, 2019 and of its operations for the year then ended. In addition, they do not conform to the reporting format prescribed by the Public Sector Accounting Standards Board.

## **2. Unconfirmed Balances**

### **2.1 Variances Between Financial Statement and Ledger Balances**

Fourteen large balances reflected in the financial statements differ with those reflected in respect to identical accounts in the Integrated Financial Management Information Systems (IFMIS) ledger, as indicated in **Appendix 1** to this report. The accounts include cash and bank balances, exchequer releases, proceeds from domestic and foreign grants, use of goods and services, transfers to other government entities, accounts payables, other grants and transfers, among others.

Consequently, the accuracy and completeness of the financial statements could not be confirmed.

## 2.2 Transfers from Other Government Entities

The statement of receipts and payments reflects transfers from other Government entities totalling Kshs.159,899,473, as disclosed in Note 3 to the financial statements. Included in the balance are receipts on account of Road Maintenance Levy Fund (RMLF) and Health Workers Emergency Allowance (HWEA) totalling Kshs.131,167,313 and Kshs.16,485,000 respectively, or Kshs.147,652,313 in aggregate. However actual RMLF and HWEA receipts for the period reflected in bank statements totaled Kshs.188,754,490 and nil respectively resulting to unexplained net variances of Kshs.57,587,177 and Kshs.16,485,000 respectively.

Consequently, the accuracy and completeness of the reported transfers from other government entities receipts totalling Kshs.159,899,473 reflected in the statement of receipts and payments for the year ended 30 June, 2020 could not be confirmed.

## 2.3 Compensation of Employees Costs

The statement of receipts and payments reflects compensation of employees costs totalling Kshs.1,801,273,580, as further disclosed in Note 11 to the financial statements. However, unexplained variances totalling Kshs.110,774,012 on basic salaries of permanent employees, personal allowances paid as part of salary, and pension and other social security contributions were noted, as detailed below:

Description	Amount in Financial Statements (Kshs.)	Amount in Payroll (Kshs.)	Variance (Kshs.)
Basic Salaries of Permanent Employees	1,004,788,871	787,642,718	217,146,153
Personal Allowances Paid as Part of Salary	690,963,143	819,683,792	(128,720,649)
Personal Allowances Paid as Reimbursements	1,333,095	0	1,333,095
Pension and Other Social Security Contributions	104,188,471	83,173,059	21,015,413
<b>Total</b>	<b>1,801,273,580</b>	<b>1,690,499,569</b>	<b>110,774,012</b>

In view of the unexplained variances, the accuracy and completeness of the compensation of employees costs totalling Kshs.1,801,273,580 reflected in the statement of receipts and payments could not be confirmed.

## 2.4 Misclassified Expenditure

The statement of receipts and payments reflects use of goods and services and acquisition of assets balances totalling Kshs.1,516,808,956 and Kshs.829,286,906, as disclosed in Note 12 and Note 17 to the financial statements respectively. However,

expenditures totalling Kshs.485,767,075 on the two items are misclassified, as detailed in **Appendix II** to this report.

Consequently, the use of goods and services balance totalling Kshs.1,808,273,580 and acquisition of assets totalling Kshs.829,286,906 reflected in the statement of receipts and payments are not fairly stated in the financial statements.

## **2.5 Transfers to Other Government Entities**

The statement of receipts and payments reflects transfers to other government entities totalling Kshs.630,127,269 as disclosed in Note 14 to the financial statements. The balance includes other capital transfers to Wildlife Conservancies totalling Kshs.93,643,164. However, the transfers were not supported by any legal framework or provision and there were no records of activities or expected outputs identified before the transfers were made. Further, expenditure returns, if any, indicating the use of the grants were not provided for audit review.

In view of these anomalies, the accuracy, completeness and validity of transfers to other government entities totalling Kshs.630,127,269 made in the year under review could not be confirmed.

## **2.6 Social Security Benefits**

The statement of receipts and payments reflects social security benefits payments totalling Kshs.6,767,634. However, records on the payments reflected unpaid mortgage deductions totalling Kshs.6,102,145 expensed under compensation of employees.

Consequently, the accuracy and completeness of social security benefits expenditure totalling Kshs.6,767,634 for the year ended 30 June, 2020 could not be confirmed.

## **2.7 Bank Balances**

The statement of assets and liabilities reflects bank balances totalling Kshs.1,546,199,279, as further disclosed in Note 21A to the financial statements. However, the following anomalies were noted in respect to the balances:

## **2.8 Bank Accounts**

Included in the balance is Kshs.244,708,334 reportedly held in six (6) bank accounts. However, the accounts were not supported with cash book records, or bank balance certificates:

<b>Account Name</b>	<b>Balance (Kshs.)</b>
Samburu County Roads Maintenance & Fuel Levy	113,092,333
Samburu County Narig Project	9,941,915
Samburu County Maralal Youth Polytechnic	250,292

<b>Account Name</b>	<b>Balance (Kshs.)</b>
Samburu County IDEAS Project	47,951,933
Maralal Municipality KUSP UDG	49,997,931
Maralal Municipality UIG	23,473,930
<b>Total</b>	<b>244,708,334</b>

Further, Annex 7 - other bank account balances - reflects eighteen (18) bank accounts shown as having balances totalling Kshs.293,400,534 as at 30 June, 2020. However, cash books and certificates for these bank accounts were likewise, not provided for audit review.

## 2.9 Unreported Bank Accounts

Bank accounts with cash balances totalling Kshs.1,269,375 as at 30 June, 2020 held in commercial banks were omitted from the financial statements as detailed below:

<b>Account Name</b>	<b>Amount (Kshs.)</b>
Samburu County Maralal International Camel Derby	0
Samburu County Asset Creation Accounts	1,244,356
Samburu County ASDP	0
Samburu County Maralal Village Youth Polytechnic	25,018.50
<b>Total</b>	<b>1,269,375</b>

In view of these discrepancies, the accuracy, completeness and fair statement of the reported bank balances totalling Kshs.1,546,199,279 as at 30 June, 2020 could not be confirmed.

## 3.0 Accounts Receivables - Outstanding Imprests

The statement of assets and liabilities reflects accounts receivables- outstanding imprests balance totalling Kshs.71,134,261 as at 30 June, 2020, as disclosed in Note 22 to the financial statements. Included in the balance is Kshs.15,527,402 reportedly owed by unnamed County Assembly Members and staff. Further, records on the imprests indicated that, only Kshs.229,244,724 of the imprests totalling Kshs.332,968,572 issued during the year under review were surrendered leaving a balance of Kshs.103,723,848 outstanding as at 30 June, 2020. However, as indicated, the statement of assets and liabilities as at 30 June, 2020 reflects outstanding imprests totaling Kshs.71,134,261 only. The variance amounting to Kshs.32,589,587 between the two sets of records has not been explained. As a result, the accuracy and fair statement of the reported accounts receivables - outstanding imprests - totalling Kshs.71,134,261 as at 30 June, 2020 could not be confirmed.

#### **4.0 Acquisition of Assets**

The statement of receipts and payments reflects acquisition of assets balance totalling Kshs.829,286,906 as further disclosed in Note 17 to the financial statements. Included in the balance are purchase costs for motor vehicles and other transport equipment totalling Kshs.47,577,032. However, log books for an undisclosed number of motor vehicles valued at Kshs.37,403,032 as at 30 June, 2020 were not provided for audit and as a result, their ownership by the County Executive could not be confirmed.

#### **5.0 Pending Bills**

Note 5.10 to the financial statements on other important disclosures reflects pending accounts payable balance totalling Kshs.1,149,826,715 arrived at by adding the balances from 2018/2019 to the unpaid bills for the year under review. Out of this balance, Kshs.411,911,497 is indicated to have been paid in the year leaving an outstanding balance of Kshs.737,915,217 as at 30 June, 2020. However, records made available for audit indicated that actual payments in the year totaled Kshs.22,236,618 only.

As a result, the unpaid bills totalling Kshs.737,915,217 disclosed in the financial statements as at 30 June, 2020 may have been understated by Kshs.389,674,879. Therefore the actual unpaid bills may have totaled Kshs.1,127,590,096 as at 30 June, 2020.

Consequently, the accuracy and completeness of the pending bills balance totalling Kshs.737,915,217 as at 30 June, 2020 could not be confirmed.

#### **6.0 Other Grants and Payments - Emergency Payments**

The statement of receipts and payments reflects other grants and payments totalling Kshs.398,163,759 which in turn includes payments for emergency relief and refugee assistance totalling Kshs.299,363,759, as disclosed in Note 15 to the financial statements. The relief payments include Kshs.71,363,759 spent without sufficient records on the unforeseen needs funded. As a result, the occurrence and propriety of the payments could not be confirmed. Further, the spending contravened Section 110 of the Public Finance Management Act, 2012 that requires the County Executive Committee to seek the approval of the County Assembly before establishing an Emergency Fund.

#### **7.0 Refunds of Deposits and Retention Monies**

Project expenditure records indicated that deposits and retentions totalling Kshs.106,537,548 were paid to contractors during the year under review. However, the refunds were not supported with official receipts, demand notices from contractors, certificates of final account and approvals from the Department of Roads and Public Works. This was contrary to Section 151(2)(h) of the Public Procurement and Asset Disposal Act, 2015 which requires each project implementation team to ensure a



contract is completed - including all handover procedures, transfer of title if applicable, and payment of final retention payment- prior to closing the contract file.

Therefore, Management did not adhere to the law and further, the propriety of the payments could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Executive of Samburu 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 adverse 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**

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

The statement of appropriation: recurrent and development combined reflects final expenditure budget and actual on comparable basis totalling Kshs.6,413,311,289 and Kshs.4,692,131,086 respectively resulting in an under-expenditure of Kshs.1,721,180,203 or 27% of the budget.

The under-expenditure mainly occurred in the development vote with Kshs.906,603,119 spent against an allocation of Kshs.2,170,955,835 resulting in under-expenditure of Kshs.1,264,352,716 or 58% of the budget.

Under the recurrent vote, actual expenditure totalled Kshs.3,785,527,967 against an allocation of Kshs.4,242,355,454 resulting in under-expenditure of Kshs.456,827,487 or 11% of the budget.

Failure to spend the whole of the development vote implied that some portion of the projects planned for execution during the year under review were not implemented. As a result, a significant portion of the goods and services promised to the residents of Samburu County were not delivered.

# 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, because of the significance of the matters described in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

## Basis for Conclusion

### 1.0 Unsatisfactory Implementation of Projects

#### 1.1 Failure to Implement Contracted Projects

The Projects Implementation Status Report as at 30 June, 2020 indicated that projects valued at Kshs.1,358,248,530 were contracted for implementation during the year under review and payments totalling Kshs.822,960,480 or 61% of the total value of the portfolio were made to the contractors as indicated below:

Department	Contracted Amount (Kshs.)	Amount Paid (Kshs.)	Works Outstanding (Kshs.)
Finance and Economic Planning	16,897,900	16,897,900	-
Agriculture, Livestock, Veterinary Services & Fisheries	98,941,908	98,941,908	-
Water, Environment, Natural Resources and Energy	174,839,935	131,647,826	43,192,109
Education & Vocational Training	104,696,542	72,276,680	32,419,862
Medical Services	235,845,190	48,523,970	187,321,220
Lands and Physical Planning	183,863,060	93,955,280	89,907,780
Public Works	516,711,320	341,890,589	174,820,731
Tourism, Trade, Enterprise Development and Cooperatives	18,826,348	18,826,327	21
Culture, Social Services, Gender, Sports and Youth Affairs	7,626,327	-	7,626,327
<b>Total</b>	<b>1,358,248,530</b>	<b>822,960,480</b>	<b>535,288,050</b>

Several unsatisfactory matters were noted on implementation of the projects, as described below:

## **1.2 Delays, Poor Workmanship, and Unutilized Projects**

Audit inspection of a sample of twenty-nine (29) development projects valued at Kshs.328,381,595 revealed several unsatisfactory issues, as outlined in **Appendix III** of this report.

The issues included delay in completion, poor quality workmanship and failure to put completed projects to use.

In view of these issues, value for money on the public funds spent on the projects may not be realized.

## **1.3 Idle Donor Project Funds**

Note 21A to the financial statements reflects Kenya Urban Support Programme funds totalling Kshs.49,997,931 held by the County Executive as at 30 June, 2020. The funds were, two years previously, set aside for the development of Maralal Municipality but were not put to use. No satisfactory explanation was provided for the failure to utilize the funds. The delay is contrary to the provisions of Section 149(1) of the Public Finance Management Act, 2012 that requires an Accounting Officer to ensure that the resources of the entity for which the Officer is designated are used in a way that is effective, efficient, economical and transparent. Further, in view of the failure to spend the funds, the expected improvement of local infrastructure expected to benefit County's residents was not realized.

## **1.4 Boreholes Drilled Without Authority**

Expenditure records indicated that payments totaling Kshs.69,891,200 were made for thirty boreholes drilled in various Wards in the County. However, contrary to the provisions Section 2(2) of the Fourth Schedule to the Water Act, 2016, requirements for hydrological surveys, Environmental Impact Assessment (EIA) and Water Resources Management Authority (WARMA) permits were not obtained before award of the drilling contracts. The provision requires any person intending to construct a borehole or well to obtain a permit from the Authority and comply with any other requirements set.

## **2.0 Irregular Grants Issued to Samburu Water and Sanitation Company Limited**

Examination of expenditure records indicated that in the year under review, the County Executive provided grants valued at Kshs.46,187,071 disbursed in cash and kind to Samburu Water and Sanitation Company Limited to augment its budgetary resources. However, the grants were issued contrary to Section 71 of the Public Finance Management (County Government) Regulations, 2015 which prohibits one County Government entity from making donations to another for the purpose of augmenting the budgetary resources of the recipient entity.

### **3.0 Irregular Commitments for Supply of Goods and Services**

Procurement records indicated that expenditure commitments totalling Kshs.108,765,543 were made during the month of June, 2020 without the written approval of the Accounting Officer. This was contrary to Section 50(1) of the Public Finance Management (County Government) Regulations, 2015 that requires all commitments for supply of goods or services to be done not later than the 31 May, each year, except with the express approval of the Accounting Officer in writing.

### **4.0 Irregular Payments to Council of Governors**

Records on operating expenses indicated that payments totalling Kshs.3,227,133 were made to the Council of Governors contrary to Section 37 of the Inter-Governmental Relations Act, 2012, which provides that all operational expenses of the Council should be met by the National Government.

Therefore, in effecting the expenditure, Management may have breached the law.

### **5.0 Uncollected Land Rates**

Examination of revenue records revealed unpaid land rates, including penalties for delayed payment, totalling Kshs.60,343,374 as at 30 June, 2020. Failure to collect the rates denied the County Government revenue for use in funding public services and development activities. In addition, it contravened Regulation 63(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires the Accounting Officer and Receiver of Revenue in each County entity to ensure that adequate safeguards exist and are applied for the prompt collection and proper accounting for all County Government Revenue and all other public monies related to the Counties.

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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the Matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Overall

Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

### **1.0 Irregular Payroll System**

The County Government maintains two (2) payroll systems; the electronic Integrated Payroll and Personnel Database (IPPD) for its 1,614 permanent staff and a manual system for 529 non-permanent. No satisfactory explanation has been provided for the use of the manual system. Further, in addition to the manual payroll being overly prone to error and misstatement, its lack of integration with the IPPD system has increased the risk of duplication of salary and other payments to staff.

### **2.0 Failure to Activate Electronic Revenue Module**

Review of revenue collection records indicated that the County Government had not activated the IFMIS module for revenue collection but instead collected and accounted for its revenues through manual procedures. The practice is contrary to Section 109(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires County Government entities to use efficient and effective electronic systems to process financial data.

Consequently, the revenue collection system does not comply to the Public Finance Management (County Government) Regulations, 2015.

### **3.0 Lack of County Performance Management and Staff Appraisal System**

Section C.5(1) of the County Public Service Human Resource Manual, 2013, requires all County Governments to develop their own performance appraisal instruments and apply these in evaluating the performance of staff in the County Public Service.

However, Management of Samburu County Executive had neither designed a Performance Management Plan nor established a Performance Management Committee. As a result, staff were not evaluated on their performance in the year under review.

Consequently, Management had not complied with regulations and lacked objective means to measure and control staff performance for effective human resource development and service delivery to the residents of Samburu County.

### **4.0 Lack of Risk Management Policy**

Audit review of operational systems indicated that the County Executive had not instituted a risk management system contrary to Section 158(1)(a) and 1581(b) of the Public Finance Management (County Government) Regulations, 2015. The provision requires the Accounting Officer to develop risk management strategies which include

fraud prevention mechanisms and internal controls that build robust business operations.

Consequently, the County Executive lacks objective means to identify, measure, and mitigate risks to its operations.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2130. The standards require that I plan and perform the audit to obtain assurance about whether 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 its 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 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 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**

**19 November, 2021**



## APPENDICES

### Appendix I – Variances Between Financial Statement and Ledger Balances

Item	Financial Statements (Kshs.)	IFMIS Balances (Kshs.)	Variances (Kshs.)
Exchequer Releases	4,957,173,316	4,502,879,703	454,293,613
Proceeds from Domestic and Foreign Grants	3,354,735	0	3,354,735
Transfers from Other Government Entities	159,899,473	0	159,899,473
Reimbursement and Refunds	4,554,200	0	4,554,200
Other Receipts	215,349,580	0	215,349,580
Returned CRF	23,472,208	0	23,472,208
Use of Goods and Services	1,516,808,956	1,516,419,256	389,700
Transfers to Other Government Units	630,127,269	139,830,235	490,297,034
Other Grants and Transfers	398,163,759	387,163,759	11,000,000
Acquisition of Assets	829,286,906	840,286,906	(11,000,000)
Bank Balances	1,546,199,279	(19,277,485,777)	20,823,685,056
Cash Balances	0	4,549,564,459	(4,549,564,459)
Accounts Receivables - Outstanding Imprest and Clearance Accounts	71,134,261	126,775,121	(55,640,860)
Accounts Payable - Deposits and Retentions	49,861,918	435,959,788	(386,097,870)
<b>Total</b>	<b>10,405,385,860</b>	<b>(6,778,606,550)</b>	<b>17,183,992,410</b>

**Appendix II -Misclassified Use of Goods and Services and Acquisition of Assets Payments**

<b>Classification as per Financial Statements</b>	<b>Correct Classification</b>	<b>Amount (Kshs.)</b>
Utilities, Supplies and Services	Domestic Travel Kshs.33,712 Transfer to other Government Entities Kshs.77, 381	111,093
Communication, Supplies and Services	Domestic travel and subsistence Kshs.30,000.	30,000
Domestic travel and Subsistence Allowance	Specialized Materials Kshs.769,920 Training Kshs.1,250,000	2,093,920
Foreign Travel and Subsistence	Domestic Travel & Subsistence Kshs.5,544,969 Training Kshs.484,000	6,028,969
Printing, Advertising and Information Supplies and Services	Utilities, Supplies and Services Kshs.803,444, Domestic travel and subsistence allowance Kshs.514,200, Training Expenses Kshs.817,300	1,331,500
Rental of Produced Assets	Domestic travel and subsistence allowance Kshs.4,534,700. Other operating expenses Kshs.493,090	5,027,790
Training Expenses	Domestic travel and subsistence allowance Kshs.25,006,561, Correct foreign Travel and Subsistence Kshs.34,000, Routine Maintenance-Vehicles Kshs.12,441.	25,353,002
Hospitality Supplies and Services	Domestic travel and subsistence allowance Kshs.6,321,250, Other operating expenses Kshs.125,000, Training Expenses Kshs.60,000.	6,506,250
Specialized Materials and Services	Domestic travel and subsistence allowance - Kshs.6,897,465, Training Expenses - Kshs.943,800.	7,841,265
Other Operating Expenses	Communication - Kshs.516,000 Compensation of employees - Kshs.52,181,976 Construction of civil works - Kshs.64,890,331 Domestic travel & Subsistence - Kshs.47,340,545 Foreign Travel & Subsistence - Kshs.423,889 Fuel, Oil & Lubricants- Kshs.1,298,000 Insurance Costs - Kshs.1,554,002	423,169,946

<b>Classification as per Financial Statements</b>	<b>Correct Classification</b>	<b>Amount (Kshs.)</b>
	Office General Supplies- Kshs.3,499,500 Other Grants and Transfers - Kshs.237,222,449 Printing and advertising- Kshs.177,480 Routine Maintenance Vehicles - Kshs.2,455,300 Specialized Materials - Kshs.1,829,700 Training Expenses- Kshs.8,977,330	
Fuel Oil and Lubricants	Other operating expenses - Kshs.117,000	117,000
Routine Maintenance- Vehicles and Other Transport Equipment	Domestic travel and subsistence allowance - Kshs.24,300.	24,300
Construction of Buildings	Other grants and transfers - Kshs.1,500,000.	1,500,000
Purchase of Certified Seeds & Breeding Animals	Domestic travel and subsistence allowance - Kshs.5,170,440.	5,170,440
Rehabilitation of Civil Works	Other operating expenses - Kshs.1,461,600.	1,461,600
<b>Total</b>		<b>485,767,075</b>

### Appendix III – Unsatisfactory Implementation of Projects

	<b>Project Description</b>	<b>Allocated Budget (Kshs.)</b>	<b>Amount Paid (Kshs.)</b>	<b>Outstanding Payment (Kshs.)</b>	<b>Project Status</b>
1.	Proposed Construction of Market Toilet at Lolmolog - 757881	718,550	718,550	-	Complete but not in use
2.	Proposed Construction of Market Stalls at Nkutuk Elmuge - 756680	690,300	690,300	-	Complete but not in use
3.	Proposed Construction of 5 Market Stall at Kisima - 7813230	2,473,850	2,473,850	-	Electricity not installed. Project not labeled to indicate financial year.
4.	Proposed Construction of Public Toilet at Maral Toilet Livestock Market -757812 2019/2020	2,251,488	2,251,488	-	Complete but not in Use
5.	Construction of Multipurpose Hall at Maralal Youth Polytechnic	23,970,560	140,046	23,830,514	Ongoing but no signage on site
6.	Construction of Administration at Maralal Youth Polytechnic and Classroom Block	25,797,891	25,797,891	-	Complete Not labelled or in use
7.	Construction of Kitchen, Store and Office at Loiku ECD Centre-Lodokejek Ward	1,769,887	1,769,887	-	Financial year 2015/2016 project. Office not constructed and Kitchen not fitted with kitchen extract systems (Aluminum kitchen hood, Grease filter bank, dust from hood to fan, flexible connection, fan control panel, grease filter panels). Project

	<b>Project Description</b>	<b>Allocated Budget (Kshs.)</b>	<b>Amount Paid (Kshs.)</b>	<b>Outstanding Payment (Kshs.)</b>	<b>Project Status</b>
					not labelled to indicate funder or financial year of implementation.
8.	Construction of 2-door pit latrine and Fencing. At Mbaringon ECD Centre-Lodokejek Ward	1,119,850	1,119,850	-	Complete, no ownership title and not labelled.
9.	Fencing Works Garma ECD Centre	688,000	688,000	-	Complete, no ownership title and not labelled.
10.	Construction of Two Class Rooms to Completion at Lpus ECD Center	2,320,660	2,320,660	-	Electrical works, pavements, rain water gutters not done and project not labelled.
11.	Construction of one Classrooms Lomayiana and 12. Nju-Emuny-Loosuk ECD Centre	1,189,475	1,189,475	-	Electrical works, pavements, rain water gutters not done and project not labelled.
13.	Construction of one Classrooms at Ladala ECD Center	1,196,876	1,196,876	-	Electrical works, pavements, rain water gutters, fascia board done partially, no thick red oxide cement screed to finished applied at floor, and project not labelled.
14.	Construction of one Classrooms at Lporos ECD Centre	1,109,870	1,109,870	-	Electrical works, pavements, rain water gutters, fascia board done partially, and project not labelled.
15.	Construction of one Classrooms and 2 door Pit Latrine Nkoteiya ECD Centres	2,065,970	2,065,970	-	Electrical works, pavements, rain water gutters, fascia board done partially, roofing sheet (28 Gauge IT4) was reduced from 84 to 52), Pit Latrine not fixed with, Ceramic floor tiles, Heavy

	<b>Project Description</b>	<b>Allocated Budget (Kshs.)</b>	<b>Amount Paid (Kshs.)</b>	<b>Outstanding Payment (Kshs.)</b>	<b>Project Status</b>
					Duty UPVC vent pipe with Cowl grating, white glazed wall tiles for urinal, latrine roofing sheet reduced from 14 to only 4 and project not labelled to indicate funder and the financial year.
16.	Poro Centre	5,277,778	2,176,100	3,101,688	Borehole drilling complete, not equipped, contractor not on site, project not labeled and not in use
17.	Lorio Borehole	2,450,000	2,403,462	46,538	Dry borehole
18.	Lkeek Sapuki west	2,500,000	2,254,866	245,134	Borehole drilling complete, not equipped, contractor not on site, project not labeled and not in use
19.	Sepei (equipping)	2,500,000	1,782,512	717,488	Borehole equipped, labelled but not in use
20.	Moroo Borehole	2,450,000	2,336,356	113,644	Borehole drilling complete, not equipped, contractor not on site, project not labeled and not in use
21.	Ngusoro (Equipping)	2,500,000	1,782,512	717,488	Borehole drilling complete, not equipped, contractor not on site, project not labeled and not in use
22.	Lkurum borehole	2,500,000	2,461,752	38,248	Borehole drilling complete, not equipped, contractor not on site, project not labeled and not in use

	<b>Project Description</b>	<b>Allocated Budget (Kshs.)</b>	<b>Amount Paid (Kshs.)</b>	<b>Outstanding Payment (Kshs.)</b>	<b>Project Status</b>
23.	Naisunya Dam	5,000,000	3,932,400	1,067,600	Project complete and in use
24.	Lodokejek Water extensions	4,000,000	3,249,106	750,894	Project complete and in use
25.	Ngeriyoi Borehole(equipping)	1,782,512	1,782,512	-	-Project equipping works complete, not labelled and not in use.
26.	Construction of Irosho Mbukiwa Bridge	5,947,400	5,947,400	-	Bridge in place and in use. Kshs.150,000 technical supervision not accounted for. Grass for Kshs.50,000 not planted exposing the bridge to damage and gabions are already
27.	Construction of a County Referral Hospital Complex block at Maralal 784474/19-20	198,925,570	25,978,400	172,947,170	Ongoing
28.	762616/19-20construction of surgical ward at Baragoi sub county hospital	12,850,000	7,336,650	5,513,350	Ongoing
29.	Construction of a Laboratory and OPD Block at Baragoi - 766326/19-20	15,880,000	7,021,300.	8,858,700	Ongoing
30.	Construction of a Dispensary, staff house and sanitary Block at Seketet 753556/1920	8,187,620	8,187,620	-	Complete and in use
	<b>Total</b>	<b>328,381,595</b>	<b>116,463,425</b>	<b>217,948,456</b>	