

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF WEST POKOT 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 West Pokot set out on pages 1 to 55, which comprise the statement of assets and liabilities as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows and summary statements 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 effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of County Executive of West Pokot as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the County Governments Act, 2012.

Basis for Qualified Opinion

1.0 Variances Between Financial Statements and IFMIS Report Balances

The following balances reflected in the financial statements were at variance with the balances reflected in the County Executive's Integrated Financial Management Information System (IFMIS) generated financial statements as detailed below:

Item	Amount as per Financial Statements (Kshs.)	Amount as per IFMIS Report (Kshs.)	Variance (Kshs.)
Proceeds from Domestic and Foreign Grants	411,548,366	53,593,276	357,955,090
Exchequer Releases	4,982,188,166	2,745,384,300	2,236,803,866
Transfers from Other Government Entities	141,948,188	35,487,047	106,461,141
Other Receipts	102,684,996	68,970,708	33,714,288
Compensation of Employees	2,262,727,278	2,668,399,268	(405,671,990)
Use of Goods and Services	714,463,754	976,129,277	(261,665,523)
Transfers to Other Government Units	1,169,541,926	532,679,566	636,862,360
Other Grants and Transfers	3,247,800	411,247,800	(408,000,000)
Social Security Benefits	54,014,487	68,679,802	(14,665,315)
Acquisition of Assets	756,011,414	675,416,524	80,594,890

Under the circumstances, the accuracy and completeness of the balances reflected in the financial statements for the year ended 30 June, 2020 could not be confirmed.

2.0 Unsupported County Own-Generated Receipts

The statement of receipts and payments reflects county own-generated receipts of Kshs.102,684,996 which includes other miscellaneous receipts of Kshs.1,819,521. The latter amount relates to direct bank deposits for which deposit slips were not presented for receipting and subsequent posting to the relevant revenue streams.

Consequently, the accuracy and completeness of miscellaneous receipts of Kshs.1,819,521 for the year ended 30 June, 2020 could not be confirmed.

3.0 Kapenguria Municipality Board Expenditure

The statement of receipts and payments reflects an expenditure of Kshs.714,463,754 under use of goods and services which includes an amount of Kshs.33,684,527 incurred by Kapenguria Municipality Board. Further, the statement reflects an expenditure of Kshs.756,011,414 under acquisition of assets which also includes an amount of Kshs.89,772,862 incurred by Kapenguria Municipality Board as detailed below.

	Amount (Kshs.)
Use of Goods and Services	
Domestic Travel and Subsistence	6,015,000
Office & General Supplies	1,964,408
Other Operating Expenses	12,406,484
Training Expenses	13,298,635
Sub-total	33,684,527
Acquisition of Assets	
Construction and Civil Works	3,599,648
Construction of Buildings	12,206,820
Construction of Roads	53,305,876
Purchase of ICT Equipment	2,947,293
Purchase of Office Furniture and General Equipment	4,413,225
Purchase of Vehicles and Other Transport Equipment	13,000,000
Research, Studies, Project Preparation, Design and Supervision	300,000
Sub-total	89,772,862
Total	123,457,389

The Municipality Board expenditure of Kshs.123,457,389 is incorrectly reported under use of goods and services and acquisition of assets instead of transfers to other government units. Further, the Municipal Board is an independent entity and in accordance with Section 46(2) of the Urban Areas and Cities Act, 2011 ought to have

prepared its own financial statements within a period of three months after the end of that financial year and submitted to the County Executive Committee for transmission to the Auditor-General.

Consequently, the accuracy of the expenditure of Kshs.714,463,754 incurred on use of goods and services and Kshs.756,011,414 incurred on acquisition of assets for the year ended 30 June, 2020 could not be confirmed.

4.0 Fixed Assets

4.1 Summary of Fixed Assets Register

Annex 5 – summary of fixed assets register reflects cumulative historical cost of assets of Kshs.3,066,329,963. However, fixed assets register as at 30 June, 2020 reflects cumulative amount of Kshs.6,453,248,445, resulting in an unexplained and unreconciled variance of Kshs.3,386,918,482 as detailed below:

Assets	Historical Cost as per a Summary of Fixed Asset Register (Kshs.)	Historical Cost as per Fixed Assets Register (Kshs.)	Variance (Kshs.)
Land	11,820,000	50,309,553	(38,489,553)
Buildings and Structures	1,177,756,543	3,100,769,880	(1,923,013,337)
Transport Equipment	70,720,995	683,027,604	(612,306,609)
Office Equipment, Furniture and Fittings	56,686,496	110,266,925	(53,580,429)
ICT Equipment	2,947,293	28,542,505	(25,595,212)
Machinery and Equipment	203,624,393	231,712,440	(28,088,047)
Biological Assets	280,789,720	199,105,205	81,684,515
Intangible Assets	-	18,537,931	(18,537,931)
Infrastructure Assets-Roads	1,261,984,523	2,030,976,402	(768,991,879)
Total	3,066,329,963	6,453,248,445	(3,386,918,482)

Consequently, the accuracy and completeness of the summary of fixed assets register amount of Kshs.3,066,329,963 as at 30 June, 2020 could not be confirmed.

4.2 Handing Over of Assets and Liabilities from Defunct Local Authorities

Although Annex 5 - summary of fixed asset register reflects total assets balance of Kshs.3,066,329,963 as at 30 June, 2020. However, as reported in the previous year, the balance of Kshs.3,066,329,963 excludes assets taken over from the defunct local authorities. Further, the details of the assets including land, buildings, motor vehicles, computers and other office equipment were not included in the fixed assets register.

In the circumstance, the ownership, valuation, existence and completeness of the assets reflected in the summary of fixed assets valued at Kshs.3,066,329,963 and those inherited from the defunct local authorities as at 30 June, 2020 have not been confirmed.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

1.0 Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects an approved revenue budget of Kshs.6,541,578,049 against actual receipts of Kshs.5,864,372,533 resulting in an overall net under collection of Kshs.677,205,516 or 10%. Similarly, the statement reflects an approved expenditure budget of Kshs.6,541,578,049 against actual expenditure of Kshs.4,960,006,658, resulting to an overall under expenditure of Kshs.1,581,571,391 or 24%. The underfunding and underperformance constrained execution of planned activities and delivery of services to the residents of West Pokot County.

2.0 Late Exchequer Releases

During the year under review, the County Executive of West Pokot received Exchequer releases totalling Kshs.590,455,267 in the months of July and August, 2020 as shown below:

Date Received	Nature of Receipt	Amount (Kshs.)
2 July, 2020	Kenya Urban Support Project (KUSP)	8,800,000
2 July, 2020	Kenya Devolution Support Project (KDSP)	30,000,000
2 July, 2020	Kenya Urban Support Project (KUSP)	52,493,020
6 July, 2020	Covid-19	33,615,000
5 August, 2020	Equitable share	430,060,200
2 July, 2020	Kenya Roads Board	35,487,047
Total		590,455,267

As a result of the delayed receipt of funds, the County Executive did not have sufficient time to absorb its total budget for the year.

3.0 Pending Bills

As disclosed in Note 7.9 (1)(2) (3) and Annexures 2, 3 and 4 to the financial statements, the County Executive had pending bills totalling Kshs.178,578,512 as at 30 June, 2020 which comprised of pending account payables of Kshs.92,775,996, pending staff payables of Kshs.46,918,069 and other pending payables of Kshs.38,884,447. The other pending payables of Kshs.38,884,447 is amount owed to the Ministry of Health. The debt

arose in 2013/2014 financial year when the Ministry of Health paid salaries totalling Kshs.211,133,707 on behalf of the County Government of West Pokot. Information available indicates that the County Executive paid an amount of Kshs.172,249,260 to the Ministry leaving a balance of Kshs.38,884,447.

Further, the pending bills includes an amount of Kshs.7,913,315 owed to the Kenya Power and Lighting Company which comprised of June, 2020 electricity bills of Kshs.1,627,268 and arrears of Kshs.6,286,047. Failure to settle pending bills in the year to which they relate affects the budget for the following year and may attract penalties and interest in case of litigations.

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 Budget Allocation to the County Assembly

During the year, the County Assembly of West Pokot had an approved budget of Kshs.704,482,408 which was equivalent to 13% of the total revenue of the county government of Kshs.5,244,509,548. This was contrary to Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015, which states that the approved expenditure of a County Assembly shall not exceed seven per cent of the total revenue of the county government or twice the personnel emoluments of that County Assembly, whichever is lower.

The Management was in breach of the law.

2.0 Compensation of Employees

2.1 Non-Compliance with the Law on Wage Bill

The statement of receipts and payments reflects an expenditure of Kshs.2,262,727,278 under compensation of employees which represents 43% of the total county revenue (excluding revenues accruing from extractive natural resources) of Kshs.5,224,063,594. This is contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which limits the County Executive's expenditure on wages and benefits to not more than 35% of the total revenue for the year.

The high wage bill is an indication that most of the County's resources are spent on staff salaries at the expense of development projects and thus impacting negatively on service delivery to the residents of West Pokot.

2.2 Processing of Salaries and Allowances Outside IPPD

The compensation of employees' expenditure of Kshs.2,262,727,278 includes salaries, allowances and arrears amounting to Kshs.94,535,723 processed and paid outside the Integrated Personnel and Payroll Database (IPPD). This is contrary to Section 1.5.1 of The National Treasury Financial Accounting Recording and Reporting Manual which requires salaries, allowances or arrears of county government employees to be processed through IPPD.

2.3 Employees Receiving Net Pay Less than a Third of Basic Salary

A review of the County Executive's payroll revealed instances where some employees were receiving net salaries which were less than a third of their basic salaries. This was contrary to Section 19(3) of the Employment Act, 2007 which states that the total amount of deduction of the wages of an employee should not exceed two thirds of such wages.

2.4 Non-Remittance of Statutory and Other Deductions

The County Executive had outstanding statutory and other salary deductions amounting to Kshs.19,062,666 as at 30 June, 2020 which were due to NHIF, NSSF, Laptrust, Lapfund and Saccos. However, no explanation has been provided on why the amounts remained un-remitted to the relevant authorities against the requirements of Section 19(4) of the Employment Act, 2007.

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

3.0 One Third Rule on Staff Composition and Recruitment

During the year under review, the County Public Service Board recruited a total of twenty (20) new staff members in various cadres, out of whom seventeen (17) staff or approximately 85% were from the dominant community. Further, staff records indicated that the County Government had a total of two thousand three hundred and seven (2,307) employees, out of whom one thousand seven hundred and eight (1,708) or approximately 74% were from the dominant community. This is contrary to Section 65(1)(E) of County Governments Act, 2012 that requires that, in selecting candidates for appointment, the County Public Service Board should consider the need to ensure that at least thirty percent (30%) of the vacant positions at the entry level are filled by candidates who are not from the dominant ethnic community in the County.

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

4.0 Performance Contracting and Staff Performance Appraisal

During the year under review, there was no evidence of the County Executive having conducted performance contracting and implementing a staff performance appraisal system. This is contrary to Section G.3(3) of the Human Resource Policies and

Procedures Manual for the Public Service which states that performance contracts should be anchored on national development goals.

Consequently, Management was in breach of the Human Resource Policies.

5.0 Acquisition of Assets

5.1 Construction of Buildings

5.1.1 Construction of Governors Office Complex

The statement of receipts and payments reflects an expenditure of Kshs.756,011,414 under acquisition of assets which, as disclosed in Note 17 to the financial statements, includes an amount of Kshs.134,420,571 relating to construction of buildings. The latter balance includes an amount of Kshs.22,568,255 paid to a construction company towards the construction of the Governor's Office Complex.

A Tender for construction of the Governor's Office Complex was awarded at a contract sum of Kshs.198,475,572 on 4 June, 2019 and works were expected to be completed within thirty-six (36) weeks commencing immediately upon signing of the agreement. However, the following observations were noted:

- i. Prior to the award of the tender, there was no evidence to show that the County Executive conducted due diligence and presented the report in writing to confirm and verify the qualifications of the tenderer who submitted the lowest evaluated responsive tender to be awarded the contract, contrary to Section 83(1) of the Public Procurement and Asset Disposal Act, 2015.
- ii. Physical verification of the project carried out in January, 2021, over eighteen months after signing of the contract agreement, revealed that that the contractor was on site and only approximately 10% of the works had been done. Excavation, foundation walling, hard-core filling and slab laying works had been done on the ground floor, an indication that the project will not be completed within the contract period.

5.1.2 Construction of Milk Cooling Plant

The construction of buildings expenditure of Kshs.134,420,571 also includes an amount of Kshs.2,365,622 paid to a construction company for construction of a milk cooling plant in Murkwujit. The contract was procured through restricted tendering method at a contract sum of Kshs.5,798,701. An amount of Kshs.2,911,078 had been paid to the construction firm during 2018/2019 financial year, resulting in total payments of Kshs.5,276,700 as at 30 June, 2020. However, the following observations were noted:

- i. The use of restricted tendering for the construction of the milk cooling plant did not meet the statutory threshold for use of restricted tendering contrary to Section 102 of the Public Procurement and Asset Disposal Act, 2015.

- ii. The contractor's performance bond expired on 23 January, 2019 while the payment of Kshs.2,365,622 was made on 20 June, 2020 after the expiry of the performance bond contrary to Section 142(1) of the Public Procurement and Asset Disposal Act, 2015.
- iii. The Management did not provide managerial plan of the project to guarantee sustainability of the milk cooling plant together with evidence of ownership of the land on which the project is situated.
- iv. Physical verification of the project in February, 2021, over thirty months after signing of the contract agreement revealed that approximately 80% of the works had been done. Thick terrazzo floor finish (Kshs.263,200), painting and decorating (Kshs.183,400) and ceiling finishes (Kshs.275,170) had not been done and the contractor was not on site.

Consequently, the Management is in breach of the law and the intended beneficiaries have not received value for money incurred on the project amounting to Kshs.5,276,700.

5.1.3 Construction of Chepungon Dispensary

The construction of buildings expenditure of Kshs.134,420,571 further includes an amount of Kshs.4,456,627 paid to a company for the construction of Chepungon Dispensary. The contract was procured through restricted tender method and awarded on 14 May, 2018 at a contract sum of Kshs.5,993,685. The works were expected to be completed within twenty-four (24) weeks commencing immediately upon signing of the agreement. However, the following observations were noted:

- i. The use of restricted tendering for the construction of the Chepungon Dispensary did not meet the statutory threshold for use of restricted tendering contrary to Section 102 of the Public Procurement and Asset Disposal Act, 2015.
- ii. Prior to the award of the tender, there was no evidence to show that the entity conducted due diligence and presented the report in writing to confirm and verify the qualifications of the tenderer who submitted the lowest evaluated responsive tender to be awarded the contract contrary to Section 83(1) of the Public Procurement and Asset Disposal Act, 2015.
- iii. Physical verification of the project in February, 2021, over thirty months after signing of the contract agreement revealed that approximately 90% of the works had been done. At the time of verification, the contractor was not on site and works on the project was not on going.

Consequently, the Management is in breach of the law and residents of West Pokot County have not received value for money incurred on the project amounting to Kshs.4,456,627.

5.1.4 Casualty Retaining Wall at Kapenguria Referral Hospital

The construction of buildings expenditure of Kshs.134,420,571 also includes an amount of Kshs.4,921,416 paid to a company for construction of casualty retaining wall at Kapenguria Referral Hospital. The contract signed on 31 April, 2019, was awarded at a contract sum of Kshs.4,921,416 and works were expected to be completed within twelve (12) weeks commencing immediately upon signing of the agreement. However, the following observations were noted:

- i. The procuring entity used Request for Quotation (RFQ) method of procurement. However, the contract amount of Kshs.4,921,416 exceeded the statutory threshold of Kshs.2,000,000 provided under Regulation 59(1) of the Public Procurement and Disposal Regulations, 2006.
- ii. Prior to the award of the tender, there was no evidence to show that the entity conducted due diligence and presented the report in writing to confirm and verify the qualifications of the tenderer who submitted the lowest evaluated responsive tender to be awarded the contract contrary to Section 83(1) of the Public Procurement and Asset Disposal Act, 2015.
- iii. There was no evidence to show that the Accounting Officer of the procuring entity reported the contract award to the Public Procurement Regulatory Authority as required under Section 138(2) of the Public Procurement and Asset Disposal Act, 2015.

5.2 Construction of Roads

5.2.1 Construction of Urban Roads

The statement of receipts and payments reflects an expenditure of Kshs.756,011,414 under acquisition of assets which, as disclosed in Note 17 to the financial statements, includes an amount of Kshs.258,396,159 relating to construction of roads. The latter balance includes an amount of Kshs.11,522,332 incurred on construction of seven (7) roads. The tender for construction of the seven roads was sourced through quotations.

The works were to commence immediately after signing the contract and be completed within three (3) months. However, the following observations were noted:

- i. The Tender Opening Committee Members were appointed between 15 March, 2019 to 25 April, 2019. However, the tender opening minutes signed by all committee members as required by Section 78(10)(11) of the Public Procurement and Asset Disposal Act, 2015 were not provided for audit review.
- ii. The Tender Evaluation Committee carried out evaluations between 15 March, 2019 to 25 April, 2019 via Integrated Finance Management Information System (IFMIS) and prepared evaluation matrix report. However, the reports were not signed by all members as required by Section 80(7) of the Public Procurement and Asset Disposal Act, 2015 which state that the evaluation report shall be signed by each member of Evaluation Committee.

5.2.2 Construction of Box Culvert at Kaperur River on Karas-Siyoi Road

Included in the construction of roads expenditure of Kshs.258,396,159 is also an amount of Kshs.5,941,900 paid to a company for construction of box culvert at Kaperur River on Karas-Siyoi road. The tender for construction of the works was issued to prequalified contractors in April, 2017. The contract was awarded at a contract sum of Kshs.5,941,900 and works were to commence within seven (7) days from the date of signing of the contract. However, the following observations were noted:

- i. The tender procurement documents including acceptance letter, tender award letter and performance bond guarantee were not provided for audit verification.
- ii. There was no evidence that the Accounting Officer notified unsuccessful tenderers in writing in accordance with Section 87(3) of the Public Procurement and Asset Disposal Act, 2015.

5.2.3 Labour Based Road Maintenance

Included in the construction of roads expenditure of Kshs.258,396,159 is an amount of Kshs.25,553,600 paid to the Chief Officer in charge of transport for the payment of casual laborers working on road improvement and maintenance under labour-based method. Minutes of the Road Maintenance Policy Committee made up of six (6) to eight (8) members approved the use of labour-based method for road improvement and maintenance within the county. The committee was formed in accordance with the West Pokot County Roads Maintenance Bill, 2016 published in Kenya Gazette on 1 April, 2016 as West Pokot County Gazette Supplement No.8 (Bill No.5). However, the following observations were noted:

- i. No documentary evidence was availed for audit review to show that the County Assembly forwarded the Bill to the Governor for assent as required by Section 24(1) of the County Governments Act, 2012 which states that the Speaker shall, within fourteen days, forward a Bill passed by the County Assembly to the Governor.
- ii. The county government does not maintain an inventory of public roads specifying the roads in respect of road names and length by surface (KM).
- iii. The payments were not supported by daily work done such as length of bush cleared, number of stumps and boulders removed compared with the daily set standards and county engineer's estimates as required by Section 70(6) of the Public Procurement and Asset Disposal Act, 2015.
- iv. The Inspection and Acceptance Committee Reports only indicate that the works have been done as expected. However, the reports are not supported by certificate of completion, statement on account detailing (itemizing) specific work done as per specification in the Bill of Quantities (BQ). The reports did not also state the road width and length improved, number of tree and stumps, and boulders removed.

- v. The criteria used to select the casual labourers was not documented.
- vi. No documentary evidence was provided for audit review to show that the Ward Community Service Coordinators prepared and submitted reports on the implementation of the community work (road maintenance done through labour - based method) at their respective Wards to the County Community Service Coordinator as required by Section 5(2)(d) and Section 6(2) of the West Pokot County Community Service Programme Act.

Consequently, the validity and propriety of payments amounting to Kshs.25,553,600 in respect of road improvement and maintenance under labour-based method for the year ended 30 June, 2020 could not be confirmed.

5.2.4 Hire of Road Maintenance Equipment

The construction of roads expenditure of Kshs.258,396,159 also includes an amount of Kshs.14,969,115 paid to the Mechanical and Transport Fund - Ministry of Roads and Public Works in respect of hiring of road construction equipment. However, the following observations were noted:

- i. Audit review of expenditure records on hiring of equipment revealed that payments totalling Kshs.14,969,115 in respect of hire of road construction equipment were not supported by approvals for use of direct procurement method, contract document, reports to the Public Procurement Regulatory Authority, evidence of appointment of Ad Hoc Evaluation Committee and prepared tender documents as required by Section 104 of the Public Procurement and Asset Disposal Act, 2015.
- ii. According to the proforma invoices supporting the payments, the dozers were charging Kshs.7,230 per hour, low-loader Kshs.6,250 per hour, excavators Kshs.7,990 and graders Kshs.5,040 per hour. However, there was no evidence to show the specific hours used by the equipment and the contract sums for the work to be done.
- iii. There was no information indicating the number of kilometers done. Instead, the supporting documents only indicate the specific roads done and not the distance of the roads done.

In the circumstances, the validity and propriety of expenditure amounting to Kshs.14,969,115 could not be confirmed.

6.0 Acquisition of Land at Morpus for Construction of Tourism Cottages

As reported in the previous year, 22.5 acres of land was purchased for the construction of tourism cottages at Batei Ward and an amount of Kshs.11,200,000 paid to the vendor. The parcel of land purchased was part of the larger Murpus Group Ranch plot No.181 situated in Batei Ward, Kipkomo Sub-County. However, the following anomalies were noted:

- i. At the time of payment, the land had not been sub-divided and therefore a title deed for the land could not be processed.
- ii. No evidence has been availed to indicate that the County Executive included the project in the County Integrated Development Plan (CIDP) as required by Section 125(1) of the Public Finance Management Act, 2012.

A review of the position during the year under review indicates that the title is yet to be processed and the land has not been put into the intended use.

Consequently, land ownership cannot be confirmed and value for money has not been achieved for Kshs.11,200,000 incurred on land purchase.

7.0 Power Transformer at Keringet FADC Sunflower Oil Processing Factory

Annex 2 to the financial statements reflects pending bills of Kshs.178,578,512 which includes an outstanding amount of Kshs.822,291 payable to Kenya Power and Lighting Company (KPLC) for supply and installation of a power transformer at Keringet FADC sunflower oil processing factory at Cheptuya. However, the following observations were noted:

- i. The Management issued a manual Local Purchase Order instead of the system generated (IFMIS) LPO to procure services from KPLC contrary to The National Treasury Circular No.24/2015 (Ref. No.MOF/IFMIS/1/53/19) of 21.12.2015.
- ii. Evidence of land ownership, project approvals from NEMA, and NCA, budget allocation for installation of requisite machinery and equipment together with managerial plan for the factory once oil processing operations begin were not provided for audit review.
- iii. Physical verification of the project carried out in February, 2021 revealed power transformer was yet to be installed.

Consequently, the Management was in breach of the law and the County Executive has not obtained value for money for the amount of Kshs.4,614,202 incurred on the project as at 30 June, 2020.

8.0 Automation of Revenue Collection System

The statement of receipts and payments reflects an expenditure of Kshs.756,011,414 under acquisition of assets which includes an amount of Kshs.31,669,947 incurred on purchase of specialized plant, equipment and machinery. The latter balance includes an amount of Kshs.16,800,000 paid a consultancy firm for supply, delivery, customization and commissioning of a Revenue Collection and Management System.

As reported in the previous year, the contract agreement was signed on 10 January, 2019 to automate fourteen 14 revenue modules at a contract price of Kshs.42,000,000 within a period of six (6) months upon signing of the contract. During the year under review, an amount of Kshs.8,400,000 was paid resulting to total payments of Kshs.25,200,000 as at

30 June, 2020 or approximately 60% of the contract sum. However, the following observations were noted:

- i. The tender documents submitted by the winning bidder did not include; a certified registration and business permit by an advocate, certified copy of certificate of CR12, audited financial statements for the year ended 31 December, 2017 and manufacturer's authorization letter that were mandatory tender document contrary to Regulation 47(1)(a) of the Public Procurement and Asset Disposal Regulations, 2006 and Regulation 47(2) which states that an Evaluation Committee shall reject tenders, which do not satisfy the requirements set out in paragraph (1).
- ii. No evidence was provided for audit review to show that Management notified unsuccessful tenderers in writing in accordance with Section 87(3) of the Public Procurement and Asset Disposal Act, 2015.
- iii. According to the contract agreement, revenue automation was to commence immediately upon signing of the contract and be completed within a period of six (6) months. At the time of audit in January, 2021, nearly one year after signing of the contract, liquor licensing, land rates and rent building plans approvals and public health charges had not been integrated. Further, the Hospital Information Management System modules had not been installed.
- iv. Linking to Integrated Personnel and Payroll Database (IPPD), Integrated Finance Management Information System (IFMIS) and revenue bank accounts had not been done.
- v. Handing over of system rights, usernames and password to the County Executive had not been done.
- vi. No evidence was provided to indicate that the consultant had requested for an extension of the contract and it is not known when the consultancy services will be completed and project handed over to the County Executive.

Consequently, the Management was in breach of the law and the County Executive has not obtained value for money for the expenditure of Kshs.25,200,000 incurred on the Project as at 30 June, 2020.

9.0 Projects Verification

A review of projects by the County Executive revealed that there were fifty-one (51) projects with total contract sum of Kshs.1,522,397,594 out of which a total of Kshs.695,167,573 had been spent. Nineteen (19) projects involving routine road maintenance, construction of buildings, and civil works worth Kshs.100,100,175 had been completed. Ten (10) projects involving construction of building and civil works with a contract sum of Kshs.328,681,551 were ongoing, while twenty-two (22) projects involving construction of building, civil works and supply of software with a contract sum of Kshs.1,074,667,542 and payments of Kshs.545,762,611 had stalled.

There was no budgetary allocation for the stalled projects in the financial year 2019/2020 and the performance bonds for the projects had expired. There was no evidence to show that the performance bonds were renewed and insurance premiums paid contrary to Section 153(1) of the Public Finance Management Act, 2012. Further, delay or non-implementation of projects denies the residents of West Pokot County services or benefits accruing from completed projects.

Consequently, the objectives of these projects have not been achieved and no value for money has been obtained for payments to the projects amounting to Kshs.545,762,611 as at 30 June, 2020.

10.0 Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2020. Management has not provided reasons for the delay in resolving the prior year audit issues.

11.0 Bank Reconciliation Report

As disclosed in Note 21A to the financial statements, the statement of assets and liabilities reflects a cash and cash equivalents balance of Kshs.935,815,335 as at 30 June, 2020 held in twenty-two (22) bank accounts. However, the IFMIS bank reconciliation statements for the twenty-two (22) bank accounts as at 30 June, 2020 are not included in Annex 7 to the financial statements contrary to the approved financial reporting format issued by The National Treasury vide Circular Ref. AG.4/16/3Vol.I (9) dated 24 June, 2020.

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, 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 Street Parking Fees

The statement of receipts and payments reflects county own generated receipts of Kshs.102,684,996 which, as disclosed in Note 9 to the financial statements, includes an amount of Kshs.502,575 collected from street parking fees and Kshs.2,128,625 collected from vehicle parking fees all totalling Kshs.2,631,200. However, during the year under review, the Management did not maintain a record of all the parking slots and the reserved parking slots within the County. Further, the parking slots within the municipality were not clearly demarcated and numbered.

Consequently, the efficiency and effectiveness in collection of parking fees could not be assessed.

2.0 Fixed Assets

2.1 Tagging of Fixed Assets

Annex 5 to the financial statements - summary of fixed assets register reflects total assets balance of Kshs.3,066,329,963 as at 30 June, 2020 comprising land, buildings and structures, transport equipment, office equipment, furniture and fittings, ICT equipment, machinery and equipment, heritage and cultural assets, biological assets and infrastructure assets. However, the county government Management has not tagged or branded its assets. Further, the register does not indicate the size of each parcel of land and the terms under which the land is held by the County Government of West Pokot as required by Regulation 136(2) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, the county government risks loss of assets due to weak internal controls in management of fixed assets.

2.2 Updating of Assets Register

Audit review of the asset register revealed that the asset register is not updated regularly. At the time of audit in February, 2021, assets acquired during the year ended 30 June, 2020 amounting to Kshs.756,011,414 had not been recorded in the assets register contrary to Regulation 132(1) of the Public Finance Management (County Governments) Regulations, 2015.

Consequently, the Management is in breach of regulations and the county government is likely to lose its assets due to weak controls in asset monitoring and control.

3.0 Disaster Management Committee

As disclosed in Note 15 to the financial statements, the statement of receipts and payments reflects other grants and transfers expenditure of Kshs.3,247,800 incurred on purchase of emergency relief supplies. However, the County did not have a Disaster Management Committee in place to oversee management of disasters and emergencies in the County during the year. Further, the County did not have a Disaster Management Policy in place and the occurrence of the disasters during the year were not gazetted contrary to Section 4(1) of the West Pokot County Disaster Management Act, 2016.

4.0 Internal Audit Function

During the year ended 30 June, 2020, the County Executive had an Internal Audit Function in place with a total staff of six (6) officers. However, the Internal Audit Services Department is placed under the Finance and Economic Planning Department, reporting functionally to the Chief Officer, Finance and Economic Planning, instead of reporting to the Audit Committee contrary to Regulation 155(1) of the Public Finance Management (County Governments) Regulations, 2015.

The Management is in breach of Regulations and the Internal Audit Department may not effectively carry out its mandate.

5.0 Audit Committee

During the year under review, the annual report of the Audit Committee was not provided for audit review, contrary to Paragraph 7.2(a-c) of the Gazette Notice No.2690 on Audit Committee Guidelines for County Governments which requires the Audit Committee to produce annual reports.

Further, the Audit Committee did not provide evidence of having conducted an annual self-assessment to gauge its performance and achievements against its mandate, roles, duties and responsibilities. The Audit Committee did not also engage an external facilitator to aid with the self-assessment process as required under Guideline 8.1(a-d) and 8.3 of Gazette Notice No.2690 on Audit Committee Guidelines for County Governments. In addition, there was no evidence to show that the Accounting Officer of the entity published periodic updates of the Audit Committee activities during the year on the entity's website as required under Guideline 6.1(b)(iv) of Gazette Notice No.2690 on Audit Committee Guidelines for County Governments.

6.0 Risk Management Policy

During the year under review, the County Executive did not have in place a Risk Management Policy contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each county government entity to develop risk management strategies and a system of risk management to enable the county to identify and develop appropriate risk strategies in order to improve on effective and efficient management of public resources.

Consequently, the Management is not likely to respond appropriately to emerging risks that may result in loss of funds.

7.0 Turnover of Finance Staff

Available information indicates a high staff turnover rate in the Office of County Executive Committee Member (CECM) and Chief Officer - Finance and Economic Planning. The Office of CECM has been held by five (5) members from 2017/2018 to 2019/2020 while the Office of Chief Officer has been held by four (4) officers over the same period, an indication of officers serving less than one year in office on average. This trend does not give the holders of the offices sufficient time to effectively plan and implement county government plans and policies as well as auditors' recommendations

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 processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control.

In preparing the financial statements, Management is responsible for assessing the County Executive's ability 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 or cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in

accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. 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 County Executive's 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 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 sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the County Executive to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to 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

05 November, 2021