

# **REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF BUNGOMA FOR THE YEAR ENDED 30 JUNE, 2019**

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Qualified Opinion**

I have audited the accompanying financial statements of County Executive of Bungoma set out on pages 1 to 74, which comprise the statement of assets and liabilities as at 30 June, 2019, and the statement of receipts and payments, statement of cash flows, summary statements of appropriation recurrent, development and combined and statement of the budget execution by programmes and sub-programmes 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 Bungoma as at 30 June, 2019, and 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.

### **Basis for Qualified Opinion**

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#### **1. Failure to Prepare and Submit Financial Statements for County Revenue Fund for Audit**

The receiver of revenue for the County Government of Bungoma did not prepare and submit for audit the annual revenue statements as required by Sections 165(1), (2) and (3) of the Public Finance Management Act, 2012. In the circumstances, it was not possible to ascertain the accuracy of the actual revenue collected by the County Executive during the year under review.

#### **2. Unauthorized Re-Allocations of Vote Heads**

The County Executive incurred various expenditures totalling Kshs. 101,093,139 under various vote heads which were different from the approved budget lines. However, there were no requests for and approvals of the re-allocations, contrary to the provisions and requirements of Section 154(2)(b) of the Public Finance Management Act, 2012.

### **3. Variances Between Financial Statements and IFMIS General Ledger**

The figures reported in the financial statements did not agree with corresponding account balances in the Integrated Financial Management Information System (IFMIS) records as analyzed in **Appendix 1**.

In view of the foregoing, the accuracy and completeness of the financial statements for the year ended 30 June, 2019 could not be confirmed.

### **4. Irregular Legal Fee Payment**

The County Executive sourced for legal services for various court cases and paid Kshs. 59,847,989. Although Management provided schedules for the legal firms showing how the Kshs. 59,847,989 was arrived at, the authenticity of these schedules could not be ascertained as they were not signed and supported,

In the circumstances, the propriety in the utilization of public funds amounting to Kshs. 59,847,989 could not be ascertained.

### **5. Fuel Consumption by Unauthorized Vehicles**

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Examination of records and payment vouchers relating to consumption of fuel, oil and lubricants in the Governor's and Deputy Governor's offices revealed that several private vehicles consumed fuel valued at Kshs. 6,531,792 without any authority. Some of these vehicles indicated to have been owned by non-County Executive employees while the ownership of others could not be ascertained as copies of the log books were not availed for audit verification. In particular, an amount of Kshs. 116,566 was spent to fuel vehicles whose registration numbers were not recorded.

Consequently, the Management County Executive management could have led to misappropriation of Kshs. 6,531,792 arising from the consumption of fuel by unauthorised motor vehicles that may not owned by the County Executive.

### **6. Unsupported Expenditure on Air Travel Services**

As disclosed in Note 8 in the notes to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs. 2,068,484,305 under use of goods and services which constitutes an expenditure of Kshs. 23,346,053 on air travel and subsistence. Examination of records on foreign travel and subsistence revealed that payments totaling Kshs. 12,021,100 was expended without any approval for use of air travel services by the officers. Further, the expenditure was not supported with boarding passes as proof of travel.

Consequently, the propriety of the utilization of Kshs. 12,021,100 on air travel services could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Executive of Bungoma Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities

in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## Key Audit Matters

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

## Other Matter

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### 1. Budgetary Performance and Control

#### 1.1. Overall Budgetary Performance

During the year under review, the Management of the County Executive had budgeted a total expenditure of Kshs. 12,765,312,274, comprising recurrent allocation of Kshs. 8,571,206,685 (67% of total budget) and development allocation of Kshs. 4,194,105,589 (33% of total budget). From the approved budget, the County Executive incurred an actual total expenditure of Kshs. 10,371,232,499 comprising recurrent expenditure of Kshs. 8,009,443,695 (77% of total expenditure) and development expenditure of Kshs. 2,361,788,805 (23% of total expenditure). The County Executive incurred the overall actual expenditure/budget absorption ratio of 81%, with recurrent and development votes absorbing 93% and 56% respectively, resulting in significant underutilization of development budget as detailed below:

<b>Vote</b>	<b>Budget Allocation 2018/2019 Kshs.</b>	<b>Actual Expenditure 2018/2019 Kshs.</b>	<b>Budgeted Per Vote %</b>	<b>Actual Per Vote %</b>	<b>Absorption Rate %</b>
Recurrent Expenditure	8,571,206,685	8,009,443,695	67	77	93
Development Expenditure	4,194,105,589	2,361,788,805	33	23	56
<b>Total</b>	<b>12,765,312,274</b>	<b>10,371,232,500</b>	<b>100</b>	<b>100</b>	<b>81</b>

The under-absorption of the approved development budget may have resulted in slow implementation of Projects and activities in the County Executive's work-plan, for which the funds were budgeted. This may have impacted negatively on service delivery to the public.

### 2. Pending Bills (Accounts Payable)

As disclosed in Note 5.9 Other important disclosures and in Annex 3 to the financial statements, the County Executive recorded an amount of Kshs. 425,860,887 as pending bills as at 30 June, 2020 distributed as follows:

<b>Ministry/Department</b>	<b>Amount (Kshs.)</b>
Agriculture, Livestock, Irrigation, Fisheries and Co-Operative Development	13,476,705
Finance and Economic Planning	12,162,583
Gender, Youth, Culture and Sports	1,900,105
Health and Sanitation	67,037,232
Environment, Water and Tourism	94,245,069
Lands, Urban/Physical Planning and Housing	24,997,824
County Public Service Board	5,377,892
Education and Vocational Training	2,384,875
Governor/Deputy Governor's Office	12,296,994
Public Service Management and Administration	61,062,262
Trade, Energy and Industrialization	2,354,274
Roads, Infrastructure and Public Works	128,565,069
<b>Total</b>	<b>425,860,886</b>

It was not explained why the bills were outstanding despite the County reporting a positive liquidity position as evidenced by cash and cash equivalents balance of Kshs. 2,323,151,127 as at 30 June, 2019. [ikuweikuwe.com](http://ikuweikuwe.com)

Had the pending bills been settled in the year under review, the statement would have reflected a deficit of Kshs. 30,548,319 instead of the reported surplus of Kshs. 395,312,567. Failure to settle accounts payable in the year to which they relate adversely affects the following year's budget provision to which they have to be charged.

### **3. Overall Project Implementation Status**

During the year under review, the County Executive had planned to implement a total of 350 Projects/Programmes by different sectors during the financial year.

An analysis on the progress and status of these Projects indicates that only a total of 88 Projects representing 25.2% of the total Projects had been completed as at 31 December, 2019, 173 Projects representing 49.4% were still ongoing while 88 Projects representing 25.2% had not started

In view of the above, the County Executive may not have achieved its targets as approved by the Assembly hence effective service delivery may not be rendered to the residents of the County.

### **4. Unresolved Prior Year Matters**

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues nor given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular despite giving promises

on expected resolution dates. No efforts appear to have been put in place to resolve the outstanding audit issues.

## 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 and the Basis for a Qualified opinion sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### Basis for Conclusion

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#### 1. Compliance with the Public Finance Management (County Governments) Regulations, 2015 - Fiscal Responsibility Principles

As disclosed in the statements of appropriations recurrent, development and combined for the year ended 30 June, 2019, the County Executive incurred actual total expenditure of Kshs. 10,371,232,499, comprising recurrent expenditure Kshs. 8,009,443,695 and development expenditure of Kshs. 2,361,788,805 which is 77% and 23% respectively of total expenditure. The actual expenditure on development was therefore lower than the prescribed minimum of 30% required by Regulation 25(1)(g) of the Public Finance Management (County Governments) Regulations, 2015.

Further, the statement of receipts and payments reflects compensation of employees expenditure of Kshs. 4,421,148,066 which accounts for 41% of the actual total revenue for the year of Kshs. 10,766,545,066, which was again contrary to Section 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which recommends a maximum of 35%.

Management has however, attributed the increased expenditure on compensation of employees to Collective Bargaining Agreement (CBA) with health workers that led to an increase of Kshs.463,800,000 in negotiated allowances, conversion of terms of 1,923 Early Childhood Development (ECD) teachers from contractual to permanent that led to an increase in salaries by Kshs.384,746,760 and deficits in the revenue sharing formula that uses specific identified parameters rather than the costing of functions.

#### 2. Proposed Erection and Completion of Residential Building

The Executive entered into a contract with a local company to put up a residential building at a contract sum of Kshs. 38,713,724 within Bungoma town which consisted of the following components:

Component	Cost (Kshs.)
Preliminaries	1,810,000
Builder's works	23,883,680

<b>Component</b>	<b>Cost (Kshs.)</b>
Electrical works	532,100
Mechanical works	1,526,700
External works	2,121,420
Provisions for Contingency	3,500,000
Value Added Tax (VAT)	5,339,824
<b>Total</b>	<b>38,713,724</b>

However, it was noted that the County Government did not factor into the Project's budget the perimeter wall, gate and sentry office, storm water within the compound management, installation of solar panels and lighting, installation of an elevator and a ramp for physically disabled persons; and marking of car parking area. Further, in the absence of a perimeter wall and lighting, the security of the tenants and their properties cannot not be guaranteed.

The above notwithstanding, a the Bill of Quantities included a contingency sum of Kshs.3,500,000 which was not supported with actual works carried out and certified by the Project works officer/architect.

Consequently, the residential building could have been constructed contrary to the provisions of Section 117, Sub-section 1(a) and ((b) and Sub-section 2(a) and (b) of the County Governments Act, 2012.

### **3. Long Outstanding Imprests**

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The accounts receivables – outstanding imprests balance in the statement of assets and liabilities of Kshs.30,555,970 includes long outstanding imprest balance of Kshs.27,167,370, held by staff for more than six (6) months after the respective due dates had lapsed, contrary to the provisions of Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015 in regards to imprest management. Further, Management did not explain measures it had taken to recover the amounts as required by Regulation 93(6). In addition, the Kshs.30,555,970 includes imprests amounting to Kshs.2,460,000 due from two (2) officers who were issued with more than one imprests, contrary to Regulation 93(8) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, Management administered the imprest in breach of the law.

### **4. Irregular Procurement of Drugs**

The County Executive, through its Department of Health and Sanitation, incurred an expenditure of Kshs.3,770,530 for the supply of medical drugs for out-patients through the National Hospital Insurance Fund (NHIF) cover in Bungoma County Referral Hospital. The drugs were issued from a local dispensing chemist shop through an arrangement whereby, outpatients from the hospital were given prescriptions in the County Hospital which they would take to the chemist to collect drugs. However, it was established that the chemist was identified through direct procurement method even though the conditions for use of this method as outlined in Section 103(2) of the Public Procurement and Asset Disposal Act, 2015, were not adhered to. Further, the quality of the drugs obtained from

the chemist could not be ascertained as they were not inspected and accepted by the inspection and acceptance committee thereby posing a risk to the patients.

In the circumstances, management was in breach of the law, and value for money may not have been realized in the expenditure of Kshs.3,770,530.

## **5. Proposed Renovation of Conference and Dining Halls at Agricultural Training College**

The County Executive, under the Department of Agriculture, Livestock, Fisheries and Co-operative Development, awarded contract for the Proposed Renovation of Conference and Dining Halls at Agricultural Training College (ATC) at Mabanga in Bungoma County to a local company at a contract sum of Kshs.14,772,333, following competitive tendering process. The contractor was paid Kshs.7,820,743 on 11 June, 2019.

Further, during an audit verification visit to the college, it was observed that the painting done was of substandard quality as the contractor did not use the paint recommended and the conference hall had also not been partitioned as specified in the Bills of Quantities (BQs), no tiling had been done on the floors of the dining hall and the contractor had disconnected the electricity but had not reconnected it as at the time of audit, hence it was not possible to confirm whether the installed air conditioners were working.

However, it was noted that the signed contract agreement did not indicate contract period or the time limit for delivery of the contracted works, contrary to the requirements of Section 70(6)(a) of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, the County Executive may not achieve value for money under this contract. Further, Management may not have been responsible for ensuring that the works were of the right quality and quantity as required by Section 150(1) of the Public Procurement and Asset Disposal Act, 2015.

## **6. Compensation of Employees**

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### **6.1. Employees on Irregularly Extended Probation Periods**

Analysis of the IPPD Payroll data for the month of April 2019 revealed that nine hundred and ninety-two (992) employees of the County Executive of Bungoma were on probation periods ranging from one (1) year to 30 years. These periods are way beyond the maximum period of 9 months allowed in the Human Resource Policies and Procedure Manual. No explanation has been provided as to why these 992 officers have either not been confirmed into permanent and pensionable appointments or terminated after the maximum allowed probation period.

Further, information available indicates that during the year under review, the County Executive paid salaries totaling Kshs.172,095,597 outside the Integrated Payroll and Personnel Database (IPPD) system using payment vouchers. It is not possible to

determine whether there were adequate controls over the expenditure of Kshs.172,095,597.

The County Executive is therefore in breach of Sections B(18) and B(19) of Bungoma County Government Human Resource Policies and Procedures Manual.

## 6.2. Engagement of Temporary Workers

As disclosed in Note 7 to the financial statements, the Management spent an amount of Kshs.177,797,876 on basic wages on temporary employees. This amount includes wages totalling Kshs.53,456,595 paid by various Departments to casual workers who had been engaged for periods of more than three months as detailed below:

<b>Ministry</b>	<b>Amount (Kshs.)</b>
Public Administration	8,184,581
Trade, Energy and Industrialization	523,732
Finance and Economic Planning	26,828,963
Agriculture, Livestock, Fisheries and Co-operative Development	4,325,262
Health and Sanitation	4,479,642
Water and Natural Resources	87,678
Governor's and Deputy Governor's Offices	3,657,447
Lands Urban and Physical Planning	1,366,024
Education, Science and ICT Statistics	156,276
Tourism	1,806,633
Gender, Culture, Youth and Sports	1,306,149
Road and Public Works	734,208
<b>Total</b>	<b>53,456,595</b>

Examination of records revealed that the nature of the assignments did not qualify to be classified as urgent or short-term as stated by the respective ministries.

Further, the expenditure of Kshs.177,797,876 includes Kshs.78,360,000 paid to 3268 Community Health Volunteers (CHVS) at the rate Kshs.2,000 each volunteer per month. The volunteers were recruited to serve in 329 community health units within Bungoma County. However, a review of the recruitment process revealed that no needs assessment appear to have been done, there was no list of applicants and shortlisted candidates, no notices of advertisement, no list of successful candidates, no details of location of work and no clarity on the roles of the volunteers. No appraisal or evaluation reports were availed for audit review.

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Consequently, the County Executive was in contravention of Section 37(1)(b) of the Employment Act, 2007 and Section 74 of the County Governments Act, 2012.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance



about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

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

### Basis for Conclusion

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#### 1. Incomplete and Stalled Ward Administrators Offices

During the financial year 2014/15, the County Executive, under the Ministry of Public Administration, awarded various contracts for construction of Ward Administrators' Offices in all the forty-five (45) wards in Bungoma County at a total construct sum of Kshs.384,104,807. An audit field verification was carried out in September, 2019 for twenty (20) of the offices, being constructed by eight contractors with contract sums of Kshs.186,336,243 out of which an amount of Kshs.44,510,223 had been paid as at 30 June, 2019. The Management had indicated that three (3) of the 20 offices had been completed and handed over to the County Executive. It was not clear when the remaining 17 offices would be completed since the respective contract periods had elapsed.

The verification exercise revealed that the offices were not complete while construction for others had not started as there was no land allocated on which to construct them. For the offices that were under construction, there were no activities on the sites.

In view of the above, the County Executive may not have achieved its targets and service delivery may not have been obtained by the residents of the County and value for money may not have been realized from the expenditure of Kshs.44,510,223.

#### 2. Acquisition of Assets - Completed Projects not Operational

Under the Ministry of Health and Sanitation, the following dispensaries built at a total cost of Kshs.9,338,445 were completed but were not being utilized because of lack of equipment and staff:

<b>Dispensaries</b>	<b>Cost (Kshs.)</b>
Maternity Wing at Kimaeti Dispensary and Myanga dispensary	4,523,414
Nabukhisa Dispensary in Tuuti/Marakaru Ward	2,571,511
Maternity Wing at Lurare Dispensary and Lukhora Dispensary in Maraka Ward	2,243,520
<b>Total</b>	<b>9,338,445</b>

Although the Management has indicated that the County Executive is in the process of staffing and equipping the dispensaries, value for money may not have been realized and service delivery may not have been obtained by the residents of the County for the expenditure incurred of Kshs.9,338,445.

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### 3. Renovation of Matisi Market

The Ministry of Trade, Energy and Industrialization awarded a contract for the renovation of Matisi market to a local company at a contract sum of Kshs.12,422,753, through competitive open tendering process. The contract was signed on 23 March, 2017. The final certified payment of Kshs.1,858,117 on the contract was made during the year under review. However, physical verification of the project in the month of September, 2019 revealed that despite the works of renovation being complete, painting and decoration works on interior plastered wall surface billed at Kshs.830,145 was poorly done and the paints were peeling off. The rain water harvesting installation billed at Kshs.37,690 was not properly done as some gutters were not well fixed and water flowed down the walls whenever it rained while the Project site was not secured by a perimeter fence.

Consequently, the County Executive may not have achieved its targets and value for money may not have been realized while service delivery may not have been obtained by the residents of the County.

### 4. Renovation of Myanga Market

A local contractor was awarded a contract to renovate Myanga Market in Bungoma County at a contract sum of Kshs.16,928,818, following a competitive tendering process. The contract was signed on 20 March, 2017. The final payment on the contract of Kshs.2,379,496 was made on 31 January, 2019.

The Project inspection procedure conducted on 19 September, 2019 revealed that the following works costing Kshs.3,693,600, which were part of the contract, were not carried out despite having been paid for as hereunder.

<b>Description</b>	<b>Cost (Kshs.)</b>
Rain water installation (gutter work, pvc gutter and fittings)	399,800
Painting of 900x600mm high doors 52 No. made of 25mm block board	104,000
75mm brass hinges 104 pairs	26,000
75mm D handle 52 No.	5,200
Cupboard locks 52 No.	7,800

<b>Description</b>	<b>Cost (Kshs.)</b>
Painting timber surfaces not exceeding 100m girth 156 LM	39,000
Painting timber surfaces not exceeding 100m-200m girth	31,200
Terrazzo floor finish 222 SM	672,600
Vibrated reinforced concrete in beams, columns, worktops 75mm thick and 150mm thick slab	1,491,000
Supply and install high tensile steel reinforcement bars	917,000
<b>Total</b>	<b>3,693,600</b>

Management has explained that the scope of works for the project was expanded upon handing over of the site by the National Government to include driveway access and general external works, which necessitated scaling down some contracted items so as to maintain the contract sum. However, no schedule of approved re-measurements for works alleged to have been expanded or scaled down by the Ministry of Roads and Public Works was availed for audit review.

Under the circumstances, it was not possible to confirm whether the County Executive obtained value for money in the expenditure of Kshs.16,928,818.

## **5. Chwele Fish Farm**

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The County Executive established Chwele Fish Farm as model fish farm that was to be used in training the locals on ways of ensuring continued food production in the County and, hence achievement of food security as one of the Big 4 Agendas of the Country. However, during the year under review, the Department of Agriculture, Livestock, Fisheries and Co-operative Development allocated a budget of only Kshs.1,744,416 for the running of the Farm.

An audit inspection of the Farm, carried out in the month of September, 2019 revealed that the ponds were slowly silting and hence could not be used in successful fish farming. Additionally, the streams used in watering the ponds had silted and needed dredging. Management indicated that Kshs.2,600,000 had been allocated in the proposed supplementary estimates for 2019/2020 for removal of silt from the ponds and flood controls.

In the circumstances, Chwele Fish Farm may not have achieved its objective of improving food security in Bungoma County since funds allocated for its running were not sufficient.

## **6. Delays in Implementation of Ward-Based Projects**

During the year under review, the County Executive Management entered into contracts for one hundred and thirty-eight (138) Projects relating to construction of bridges, overhaul of roads and other infrastructure and civil works in the wards (ward bases Projects) at total contract sums of Kshs.731,596,940. However, it was noted that:

- a) Some of the Projects had been inspected and certified for payments, but had not been paid for as at the close of the financial year under review. Management indicated

without evidence, that the payments have since been settled in the financial year 2019/2020.

- b) Some contractors of Projects in Musikoma, Ndivisi, Maeni, Sitikho, Kimaeti and Mukuyuni wards and Webuye East Sub-County, which had done 20%, 50%, 40%, 60%, 60%, 40%, and 20% respectively of the works they were contracted to do had abandoned work due to non-payment, despite there being sufficient budgetary allocation for these Projects.

Management has attributed non-payment for completed and certified Projects to IFMIS challenges usually experienced towards the end of financial year and has indicated that the contractors have since been paid in the year 2019/2020, but has not indicated whether the contractors who had abandoned work have returned.

In view of the above, the County Executive may not have achieved its objectives as approved by the Assembly, hence benefits from these Projects may not be realized by the residents of the County.

## 7. Long Outstanding Un-Collected Property Rates Arrears

The statement of receipts and payments reflects County Executive's own generated receipts of Kshs.674,998,437 as poll (land) rates of Kshs.16,042,434. However, the County Executive had land rates arrears not collected since the inception of the County Government totaling Kshs.125,283,300 as at 30 June, 2019 as highlighted below:

No.	Sub-County	Amount (Kshs.)
1	Mt Elgon Sub-county	2,901,377
2	Kanduyi Sub-county	48,704,812
3	Chwele/Kabuchai Sub-county	5,524,028
4	Tongaren Sub-county	2,030,706
5	Sirisia Sub-county	5,470,152
6	Bumula Sub-county	3,398,193
7	Webuye East Sub-county	51,040,857
8	Webuye West Sub-county	5,502,724
9	Kimilili Sub-county	710,451
	<b>Total</b>	<b>125,283,300</b>

Further, it was noted that the Department of Lands did not have an updated register of the arrears. Management explained that a Negotiation Committee on Rates had been established to document and monitor how customer payment plan and legislations supporting property rates will be enacted.

Management submitted a listing of payments from the automated revenue management system, showing land rates payment of Kshs.70,898,577. However, the listing had no dates and it was therefore, not possible to establish the period to which the payments therein related.

Consequently, non-collection of all due revenue may have denied the County Executive funds for service delivery to its residents due to weak controls over revenue collection and management.

## **8. Human Resource**

### **i. Lack of Approved Staff Establishment and Policies**

During the year under review, the County Executive operated without an authorized staff establishment and there were no policies to manage staffing, posting, training, skill retention and succession. Consequently, it was not possible to establish the criteria used by the County Public Service Board to fill positions in the various job groups, leading to more employees in the lower grades than in the higher technical positions. Management has indicated, without evidence, that staff establishment is in draft form and Human Resource Policies and Procedures Manual, Human Resource Training and Development Policy, Internship Policy, Rewards and Sanctions Policy, Succession Management Policy and Skills and Competence Framework have been customized to give clear operating guidelines to County Human Resource.

The County Executive therefore, may be managing its human resource without clear operating guidelines and policies.

### **ii. Lack of Policy Frameworks**

As previously reported, the Executive may have not operationalized the following policy frameworks for implementation:

- ICT Revenue Frameworks
- County Training Policy
- County Transport Policy
- County Trade Development Policy
- County Urban Development Policy
- County Housing Policy
- County Supply Chain Management Policy
- County Energy Development Policy
- County Vocational Training Policy
- County Livestock Management Policy

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Further, no evidence was provided to confirm that the Risk Management Policy Framework has been operationalized despite the same having been completed.

In the circumstances, Management of the County resources operated without clear operating guidelines.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were

operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and those charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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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 to cease operations.

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the County 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 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 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.

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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 going concern 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.

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

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

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

**Nairobi**

**02 November, 2020**



**Appendix 1: Variances between the Financial Statements and Ledger**

<b>Component</b> <span style="color: red;">ikuweikuwe.com</span>	<b>Financial Statements Kshs.</b>	<b>IFMIS Records (Revised) Kshs.</b>	<b>Variance Kshs.</b>
<b>Receipts</b>			
Exchequer Releases	9,696,714,509	17,795,977,849	(8,099,263,340)
Proceeds from Domestic and Foreign Grants	99,999,945	679,355,034	(579,355,089)
Transfers from Other Government Entities	293,788,933	418,445,939	(124,657,006)
County Own Generated Receipts	674,998,437	346,787,004	328,211,433
<b>Payments</b>			
Compensation of Employees	4,421,148,066	4,748,709,007	(327,560,941)
Use of Goods and Services	2,068,484,305	1,674,431,086	394,053,219
Transfers to Other Government Units	959,806,960	656,962,916	302,844,044
Other Grants and Transfers	801,726,259	190,000,000	611,726,259
Social Security Benefits	9,927,814	31,344,396	(21,416,582)
Acquisition of Assets	1,532,607,687	1,689,891,045	(157,283,358)
Other Payments	577,531,408	584,348,874	(6,817,466)
<b>Assets</b>			
Bank Balances	2,323,151,127	15,339,289,970	(13,016,138,843)
Cash Balances	-	45,504,328,225	(45,504,328,225)
Accounts Receivables – Outstanding Imprests	30,555,970	1,314,574,308	(1,284,018,338)
<b>Liabilities and Fund Balance</b>			
Accounts Payables – Deposits and Retentions	212,152,684	14,946,589,772	(14,734,437,088)
Fund balance B/fwd	1,873,303,229	5,795,907,109	(3,922,603,880)

Appendix 2: Budget Performance by Departments

Department(s)	Budgeted Allocations		Actual Expenditure		Absorption Rate %		
	Recurrent	Development	Recurrent	Development	Rec	Dev	Overall
	Kshs.	Kshs.	Kshs.	Kshs.	%	%	%
Agriculture, Livestock, Irrigation, Fisheries and Co-operative Development	434,724,855	504,591,817	430,560,212	285,403,402	99	57	76
Finance and Economic Planning	1,175,677,038	66,370,185	1,128,685,531	55,561,289	96	84	95
Gender, Youth, Culture and Sports	129,937,886	106,000,000	112,152,045	300,000	86	0	48
Health and Sanitation	3,120,433,998	304,570,871	2,819,749,562	47,127,880	90	15	84
Environment, Water and Tourism	198,255,642	513,511,345	200,292,311	282,642,898	101	55	68
Lands, Urban/Physical Planning and Housing	161,324,441	451,174,817	111,091,537	206,550,176	69	46	52
County Public Service Board	51,058,618	-	47,439,830	-	93	-	93
Education and Vocational Training	1,106,306,522	436,117,016	1,129,925,853	147,405,819	102	34	83
Governor/Deputy Governor's Office	472,091,633	-	431,900,943	-	91	-	91
Public Service Management and Administration	609,720,622	55,546,263	520,067,241	25,185,359	85	45	82
Trade, Energy and Industrialization	52,608,424	142,705,950	46,619,438	51,735,098	89	36	50
Roads, Infrastructure and Public Works	184,088,875	1,513,414,973	171,430,377	1,159,598,740	93	77	78
<b>Total</b>	<b>7,696,228,554</b>	<b>4,094,003,236</b>	<b>7,149,914,880</b>	<b>2,261,510,659</b>			
<b>% of Total Budget/Actual</b>	<b>65%</b>	<b>35%</b>	<b>76%</b>	<b>24%</b>			