OFFICE OF THE AUDITOR-GENERAL

COUNTY ASSEMBLIES FORUM (CAF)
P. O. Box 73552 - 00200,
NAIROBI, KENYA

REPORT

OF

THE AUDITOR - GENERAL

FOR

THE COUNTY GOVERNMENTS

FOR

THE FINANCIAL YEAR

2020/2021

VOLUME II - COUNTY ASSEMBLIES













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COUNTY ASSEMBLIES FORUM (CAF)
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REPORT OF THE AUDITOR-GENERAL ON COUNTY GOVERNMENTS FOR THE YEAR 2020/2021

VOLUME II – COUNTY ASSEMBLIES

1.0 Introduction

1.1 Legal Mandate of the Office of the Auditor-General

The Auditor-General is mandated by the Constitution of Kenya, under Article 229, to audit and report on the use of public resources by all entities funded from public funds. These entities include; the National Government, County Governments, the Judiciary, Parliament, statutory bodies/state corporations, commissions, political parties funded from public funds, other government agencies and any other entity funded from public funds. The mandate of the Auditor-General is further expounded by the Public Audit Act, 2015.

The Constitution requires the Auditor-General to submit the audit reports of the public entities to Parliament and the relevant County Assemblies by 31st December, every year. In carrying out the mandate, the Auditor-General, is also required, under Article 229 (6) to assess and confirm whether the public entities have used the public resources entrusted to them lawfully and effectively.

Further, the objects and authority of the Auditor-General, as outlined in Article 249 of the Constitution, are: to protect the sovereignty of the people; to secure the observance by all State Organs of democratic values and principles; and to promote constitutionalism. The Auditor-General has also been given powers by the Constitution, under Article 252, to conduct investigations, conciliations, mediations and negotiations and to issue summons to witnesses for the purpose of investigations.

1.2 Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS)-Cash Basis, as prescribed by the Public Sector Accounting Standards Board (PSASB), and 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.

Management is also responsible for maintaining effective internal control environment necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for the assessment of the effectiveness of internal control, risk management and governance.

Further, Management is required to ensure that the activities, financial transactions and information reflected in the financial statements are in compliance with the law and other relevant or applicable authorities, and that public resources are applied in an effective way.

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

1.3 Auditor-General's Responsibility

My responsibility is to conduct an audit of the financial statements in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and to issue an auditor's report. The audit report includes my opinion as provided by Section 48 of the Public Audit Act, 2015, and the report is submitted to Parliament in compliance with Article 229(7) of the Constitution.

In addition, Article 229(6) of the Constitution requires me to express a conclusion on whether or not, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the law and other authorities that govern them, and that public resources are applied in an effective way. I also consider the entities' control environment 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.

I am independent in accordance with Article 249(2) of the Constitution of Kenya, 2010 and ISSAI 130 on the 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 public entities in the Republic of Kenya.

1.4 New Reporting Structure

I have amended the structure of my report to address the reporting requirements of Article 229(6) of the Constitution of Kenya, 2010, which requires that an audit report shall confirm whether or not public money has been applied lawfully and in an effective way. Section 7(1)(a) of the Public Audit Act, 2015 also requires that I provide assurance on the effectiveness of internal controls, risk management system and governance in national and county governments entities.

In addition, the International Standards of Supreme Audit Institutions (ISSAIs), now require the incorporation of Key Audit Matters in the report on the financial statements, which are those matters that I determine in my professional judgment, are of most significance in the audit of the financial statements as a whole, for the year under review. In order to address these requirements, my audit reports contain the following:

i. Report on Financial Statements, in which I give an audit opinion on whether the financial statements present a true and fair view of the financial position and performance of the entity.

ii. Report on Lawfulness and Effectiveness in Use of Public Resources, in which I give a conclusion on whether or not public resources have been applied lawfully and in effective way.

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iii. Report on Effectiveness of Internal Controls, Risk Management and Governance, in which I give a conclusion on whether internal controls, risk management and overall governance were effective.

iv. Report on Other Legal and Regulatory Requirements is included where applicable, especially for the entities that registered under the Companies Act and any other enabling legislation and authorities that require such disclosure.

1.5 Audit Opinions

I have expressed the different types of audit opinions based on the following criteria:-

a) Unmodified/ Unqualified Opinion

The books of accounts and underlying records agree with the financial statements and no material misstatements were found. The financial statements give a true and fair view of the operations of the entity.

b) Qualified Opinion

Financial transactions were recorded and are to a large extent in agreement with the underlying records, except for cases where I noted material misstatements or omissions in the financial statements. The issues though material, are not widespread or persistent.

c) Adverse Opinion

The financial statements exhibit significant misstatement with the underlying accounting records. There is significant disagreement between the financial statements and the underlying books of accounts and/or standards. Problems are widespread, persistent and require considerable interventions by the management to rectify.

d) Disclaimer of Opinion

The financial statements exhibit serious and significant misstatements that may arise from inadequate information, limitation of scope, inadequacy or lack of proper records such that I was not able to form an opinion on the financial operations.

The list of the County Assemblies and the type of opinion given on the financial statements is contained in Appendix A.

1.6 Audit Findings

The key audit findings noted during the audit of each County Assembly's financial statements for the year ended 30 June, 2021 are presented in the sections below.

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COUNTY ASSEMBLY OF MOMBASA – NO.1

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

1. Variance between Financial Statements and Integrated Financial Management and Information System (IFMIS) Report

The statement of receipts and payments reflects payments totalling Kshs.727,287,275 while Integrated Financial Management and Information System (IFMIS) payment details provided for audit reflected an amount of Kshs.664,353,010, resulting in a unexplained and unreconciled variance of Kshs.62,934,265.

Consequently, the accuracy and completeness of the total payments of Kshs.727,287,275 for the year ended 30 June, 2021 could not be confirmed.

2. Unsupported Rental of Produced Assets

Note 5 to the financial statements reflects an expenditure on use of goods and services of Kshs.259,342,247. Included in the expenditure is an amount of Kshs.32,400,000 on rentals of produced assets which was disbursed to thirty (30) wards within the county. However, the cash books and bank reconciliations for the ward accounts were not provided.

Consequently, the accuracy and completeness of the expenditure of Kshs.32,400,000 on rentals of produced assets could not be ascertained.

3. Unreconciled Transfer from the County Treasury/ Exchequer Releases

The statement of receipts and payments reflects exchequer releases totalling Kshs.729,489,818 as detailed in Note 1 to the financial statements. However, the Mombasa County Executive financial statements for the year ended 30 June, 2021 reflects transfers to County Assembly of Mombasa of Kshs.660,326,431 resulting in unreconciled and unexplained variance of Kshs.69,163,387.

In the circumstances, the accuracy and completeness of the exchequer releases totalling Kshs.729,489,818 for the year ended 30 June, 2021 could not be confirmed.

4. Cash and Cash Equivalents

The statement of financial assets and liabilities reflects cash and cash equivalents balance of Kshs.3,275,444 as detailed in Note 13A to the financial statements. However, the balance excludes the closing balances held in the ward offices bank accounts totalling Kshs.40,858.

Consequently, the accuracy, validity and completeness of the cash and cash equivalents balance of Kshs.3,275,444 as at 30 June, 2021 could not be ascertained.

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Other Matter

5. Late Exchequer Releases

During the year ended 30 June, 2021, the County Assembly of Mombasa received exchequer totalling to Kshs.729,489,818, out of which an amount of Kshs.216,039,751 was released by the County Treasury in June and July, 2021.

The late exchequer releases of Kshs.216,039,751 contributed to the under absorption of the overall budget.

6. Budgetary Control and Performance

The County Assembly had a revenue budget of Kshs.784,382,942 against actual realization of Kshs.729,489,818 resulting in under realization of Kshs.54,893,124 or 7% of the budgeted receipts.

During the year under review, the County Assembly had an approved budget of Kshs.784,382,942 for both recurrent and development expenditure. The Assembly spent a total of Kshs.727,287,275 or 98%, resulting in an overall under expenditure of Kshs.57,095,666 or 7%.

The under realization of receipts and under-utilization of the budget may have adversely affected service delivery to the public.

7. Accounts Payable/ Pending Bills

Note 19 to the financial statements reflects accounts payables totalling to Kshs.87,357,856. The payables comprise bills relating to construction of civil works and supply of goods and services totalling to Kshs.27,374,120, pending staff payables of Kshs.5,965,046 and unremitted statutory deductions (PAYE, NHIF, NITA Levy, Income Tax on Gratuity) and unremitted staff pension contributions (NSSF, LAPTRUST) totalling Kshs.54,018,690.

Failure to settle bills during the year to which they relate distorts the financial statements for that year and adversely affects the provisions for the subsequent year in which they form first charge.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

8. Outstanding Imprests

Note 14 to the financial statements reflects accounts receivables balance of Kshs.21,092,620, out of which an amount of Kshs.20,328,995 relates to government imprests. Included in the government imprests is an amount of Kshs.4,752,286 relating to long outstanding imprests issued between 8 December, 2015 and

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18 October, 2019. This is contrary to Regulation 93(6) of the Public Finance Management (County Governments) Regulations, 2015 which requires the accounting officer to recover the full amount of the imprests from salaries of the defaulting officers who fail to surrender or account for imprests on due dates.

9. Failure to Deduct and Remit NSSF Contributions from Employees' Wages

Audit of payroll records revealed that members' contributions amounting to Kshs.988,800 were not remitted to NSSF, out of which amounts of Kshs.494,400 and Kshs.494,400 were in respect of the employees' deductions and employer contributions, respectively as indicated below:

This is contrary to Section 6 (1) of the NSSF (Member Contributions) Regulations, 2014 which requires an employer to pay contributions to the Pension Fund in respect of each employee in his or her employment as prescribed in Section 20 of the Act.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

10. Basis for Conclusion

There were no material issues raised on internal controls, risk management and governance.

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COUNTY ASSEMBLY OF KWALE – NO.2

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

11. Cash and Cash Equivalents

The statement of financial assets and liabilities and as disclosed in Note 13A to the financial statements reflects a balance amounting to Kshs.68,889,014 in respect of cash and cash equivalents. However, the following anomalies were observed: -

11.1 Uncleared Reconciling Items

The balance included an amount of Kshs.4,003,320 held in the County Assembly Imprest Account. Review of the bank reconciliation as at 30 June, 2021 revealed payments in cash book not in bank statement amounting to Kshs.9,135,076, receipts in bank statement not recorded in cash book amounting to Kshs.94,300 and a receipt in cash book not in the bank statement amounting to Kshs.13,000,000. No explanation was not reconciling the items provided by the Management.

Under the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.68,889,014 as at 30 June, 2021 could not be confirmed.

11.2 Unexplained Transactions in the Deposit Accounts

The balance includes an amount of Kshs.56,575,876 held in the County Assembly's CBK deposits accounts. Review of the IFMIS payments analysis indicated that the County Assembly had paid a total of Kshs.30,800,000 out of the deposits account.

The Management irregularly withdrew funds meant for third parties from the deposits account. Further, there was no evidence of reimbursement of the same or evidence that the amount was received in the recurrent account for spending by the County Assembly.

Under the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.68,889,014 as at 30 June, 2021 could not be confirmed.

12. Use of Goods and Services

The statement of receipts and payments and as disclosed in Note 5 to the financial statements reflects an expenditure on use of goods and services totalling Kshs.288,154,214. However, the following anomalies were observed: -

12.1 Unsupported Domestic Travel and Subsistence

Review of records revealed that the amount includes an expenditure of Kshs.105,046,014 in respect of domestic travel and subsistence, out of which Kshs.14,038,435 was incurred

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by the County Assembly members and staff outside the County Assembly offices. However, supporting documents for the expenditure were not provided.

Consequently, the accuracy of the expenditure of Kshs.14,038,435 could not be confirmed.

12.2 Unsupported Foreign Travel and Subsistence Allowances

Similarly, the amount includes an expenditure on foreign travel and subsistence amounting to Kshs.26,719,443, out of which a total of Kshs.2,586,203 was not supported.

Consequently, the accuracy and propriety of the expenditure of Kshs.2,586,203 could not be confirmed.

12.3 Unsupported Printing, Advertising and Information Supplies and Services

Review of this expenses revealed that the amount includes an expenditure of Kshs.41,780,169 incurred on printing, advertising and information supplies and services out of which Kshs.34,987,583 was paid to service providers for provision of bulk photocopying and printing of documents. However, the Management did not provide supporting documents.

Consequently, the accuracy of the expenditure totalling Kshs.34,987,583 could not be confirmed.

12.4 Unsupported and Unexplained Expenditure on Routine Maintenance

The audit established that the expenditure includes an amount of Kshs.5,190,400 in respect of routine maintenance, vehicles and other transport equipment. Review of the records provided revealed that motor vehicle repairs amounting to Kshs.3,547,860 were not adequately supported.

Further, two payment vouchers for Kshs.2,264,439 were posted in the IFMIS general ledgers as Kshs.2,308,662, resulting in unexplained difference of Kshs.44,223. Further, the expenditure included an amount of Kshs.120,000 in respect of two motor vehicle cleaning services carried out in Mombasa. However, records provided showed that when the services were carried out, one of the vehicles was in Nairobi while the work ticket for the other vehicle did not have evidence of being in Mombasa on the date the cleaning service was indicated to have been carried out.

In addition, the expenditure also includes an amount of Kshs.1,100,000 relating to a journal correction of a wrongly classified transaction, as indicated in the general ledger provided. Review of the journal revealed that the expenditure was in respect of training expenses. However, the Management did not explain why the training expenditure was posted under this item even though the training budget had been exhausted.

Consequently, the accuracy and validity of the expenditure of Kshs.5,190,400 could not be confirmed.

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12.5 Unsupported Rental of Produced Assets

The audit further noted that the amount includes an expenditure of Kshs.4,360,000 in respect of rental of produced assets. Records provided indicate that the County Assembly has a total of twenty (20) elected and fourteen (14) nominated Members of County Assembly (MCAs), each with a ward office plus the Speaker's residence all of which attract monthly rent of Kshs.305,000 and Kshs.100,000, respectively. However, the rental lease agreements that were provided for audit were fifteen (15) out of the possible thirty-four (34) MCA's rented offices and one (1) Speaker's residence. No explanation was provided as to why the County Assembly continued to pay rent to ward office yet there are completed ward offices and an official Speaker's residence.

In the circumstances, the accuracy, propriety and the value for money for the expenditure of Kshs.4,360,000 could not be confirmed.

12.6 Unsupported Office and General Supplies and Services Expenses

The expenditure also includes an amount of Kshs.2,555,720 in respect of other operating expenses. Review of records provided revealed that payments amounting to Kshs.180,000 were not supported.

Consequently, accuracy and propriety of the expenditure amounting to Kshs.180,000 could not be confirmed.

12.7 Unsupported Other Operating Expenses

The expenditure includes an amount of Kshs.13,076,960 in respect of other operating expenses out of which payments totalling Kshs.3,608,519 were not supported.

In the circumstances, the accuracy of the expenditure on other operating expenses amounting to Kshs.3,608,219 could not be confirmed.

13. Unsupported Expenditure on Acquisition of Assets

The statement of receipts and payments and as disclosed in Note 10 to the financial statements reflects Kshs.77,154,615 in respect of acquisition of assets. Included in the amount are expenditures on purchase of household furniture for the Speaker's official residence totalling Kshs.4,976,870 and the Assembly complex office furniture amounting to Kshs.6,090,000. However, supporting documents for the payments were not provided.

Further, the supplied items could not be physically verified since there were no specifications on quality and quantity of the furniture to be supplied. In addition, the supplier could not be traced in the list of prequalified suppliers. The Management did not provide details on how the supplier was selected and the prices charged were determined.

Consequently, the accuracy and propriety of the expenditure of Kshs.11,066,870 on acquisition of assets could not be confirmed.

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Other Matter

14. Budgetary Control and Performance

The statement of comparison of budget and actual amounts - recurrent and development combined reflects final receipts budget and actual on comparable basis totalling Kshs.906,750,335 and Kshs.731,020,516 respectively, resulting in an under-funding of Kshs.175,729,819 or 19% of the budget. Similarly, the County Assembly expended Kshs.718,797,369 against an approved budget of Kshs.906,750,335, resulting in under-expenditure of Kshs.187,952,966 or 21% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

15. Non-Compliance with Law on Ethnic Composition

During the year under review, the total number of employees was seventy-three (73) out of which sixty-two (62) or 85% of the total number were members of the dominant ethnic community in the county. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, “all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community”.

To this extent, the County Government has not complied with the provisions of the law.

16. Non-Compliance with One-Third Rule on Salaries Deductions

Analysis of the payroll for the month of June, 2021 revealed that, net pays for eighteen (18) employees as shown below were less than a third of their basic pay.

Further eight (8) employees earned zero salary in some of the months.

In the circumstances, the Management was in contravention of the provisions of Section 19(3) of the Employment Act, 2007 which stipulates that total amount of all deductions made by an employer from the wages of employee at any one time shall not exceed two thirds of such wages.

In the circumstances, Management was in breach of the law.

17. Irregular Extension of Leave and Payment of Salary

Review of the County Assembly’s staff personal files revealed that one officer was issued with a show cause letter by the Acting Clerk. Further, on the same day, another show cause letter with the same reference number was issued to the officer indicating that the

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Office of the Clerk had information that the officer had not forwarded information to the Human Resources Office to effect payroll deductions from four (4) officers, including the officer, for purposes of effecting monthly deductions.

The officer was issued with another letter on 22 February, 2021 which stated that the matter had been referred to the Board which resolved on the same day that the matter be referred to the Staff Advisory Committee for advice and that the staff to proceed on a 21-days period leave from the date of the letter.

The staff was later invited to the Staff Advisory Committee meeting on 23 March, 2021 and further extensions of his leave were issued on 16 April, 2021, 18 June, 2021, 19 July, 2021 and 19 August, 2021 for 21 days each. It was, however, noted that the staff had drawn salary and allowances totalling to Kshs.627,640 from the County Assembly up to 30 June, 2021 while out of duty.

The County Assembly did not explain why the Staff Advisory Committee had not made a decision and advised the Board to stop the payment of salary to the employee in line with Section 29(i) of the County Assembly Service Act, 2017. In addition, no explanation was provided for the approval of irregular extension of leave to the staff who was under disciplinary action with full pay were not provided for audit.

In the circumstances, Management was in breach of the law.

18. Lack of a Substantive Clerk

As reported in the previous financial year, the County Assembly Service Board terminated the contract of the Clerk of the County Assembly in December, 2019. This was done contrary to Section 23 of the County Assembly Service Act, 2017 which outlines how the Clerk of a County Assembly is removed from office as the County Assembly Service Board did not submit a notice of motion to the Speaker seeking that the County Assembly revokes the appointment of the Clerk and approval thereof.

Review of records revealed that after the suspension of the Clerk, the Deputy Clerk took over in an acting capacity on the same date. Further, the Clerk continued to draw a full salary and all the benefits totalling to Kshs.2,549,280.

As at the time of the audit, in October, 2021 or 22 months later, the Deputy Clerk was still acting as the Clerk of the County Assembly contrary to Section 34(3) of the Public Service Act, 2017 which states that an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of six months.

In the circumstances, Management was in breach of the law.

19. Non - Remittance of Statutory Deductions

Records indicates that the National Treasury Circular No.14/2021 dated 28 October, 2021 addressed to all Clerks to County Assemblies stated that the County Assembly of Kwale had defaulted in remitting pension deductions from its employees to

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LAPTRUST as at 31 December, 2020. Although the principal amount had been fully paid, interest amounting to Kshs.8,228,173 was outstanding as at the same date.

In the circumstances, Management was in breach of the law.

20. Non-Compliance with the County Assembly Services Act, 2017

Records provided for audit indicated that Kwale County Assembly Service Board recruited or appointed two members who have been serving as Board Members for the last four (4) years. However, appointment letter for one of the Board members was not provided to confirm compliance with the First Schedule of the County Assembly Services Act, 2017. The Schedule provides for among other things; declaration of vacancy by notice in the Gazette and at least two daily newspapers of national circulation and for the qualified persons to be invited to apply and interviewed before approval and appointment by the County Assembly.

Further, evidence that the County Service Board had complied with Section 36 (1) of the County Assembly Services Act, 2017 which states that, “within three months after the end of each calendar year, the Board shall prepare and lay before the county assembly, a report of its operations during that year” was not provided for audit verification.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

21. Fuel not Traceable in Work Tickets

Records provided indicated that 650 litres and 365 litres of fuel were consumed by three vehicles. However, the entries of fuel consumed could not be traced in the respective work tickets and no receipts for the same were provided for audit.

Under the circumstances, the County Assembly's fuel consumption management and controls are weak and may result in payment for undelivered fuel.

22. IFMIS Reports and Data Analysis

Analysis of IFMIS reports indicated that payment made and narrated as cash payments in the system amounted to Kshs.477,418,834. However, no explanation was provided for indicating the payments as cash payments in the system. Further, twenty-five (25) transactions totalling to Kshs.14,087,734 were posted as below the line items – temporary imprests but the surrender vouchers were not provided for audit.

Under the circumstances, the controls for payments through IFMIS and imprests Management by the County Assembly appear inadequate and may result in loss of public funds.

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COUNTY ASSEMBLY OF KILIFI – NO.3

REPORT ON THE FINANCIAL STATEMENTS

Unqualified Opinion

23. There were no material issues noted during the audit of financial statements of the County Assembly.

Other Matter

24. Budgetary Control and Performance

24.1 Unbalanced Budget

As reflected in the statement of comparison of budget and actual amounts – recurrent and development combined, the Assembly had a total receipts budget of Kshs.936,088,616 which differed with total expenditure budget of Kshs.948,049,058 by Kshs.11,960,442. This is contrary to Regulation 31(c) of Public Finance Management (County Governments) Regulations, 2015 which provides that budget revenue and expenditure appropriations shall be balanced.

24.2 Over-expenditure and Irregular Reallocation from Salaries

The County Assembly had an approved total budget of Kshs.936,088,616 for receipts and Kshs.948,049,058 for expenditure in the financial year 2020/2021. However, the actual receipts and expenditure amounted to Kshs.965,897,386 and Kshs.967,768,957 respectively, resulting into a receipts surplus of Kshs.29,808,770 and an over-expenditure Kshs.19,719,899.

In particular, the County Assembly spent an amount of Kshs.403,764,977 under use of goods and services against an approved budget of Kshs.329,367,326, resulting into an over expenditure of Kshs.74,397,651 or 23% which was financed by revoting funds from salaries. This is contrary to Section 43(1)(c) of Public Finance Management Act, 2012 which provides that an accounting officer may not reallocate funds where the reallocation of funds is from wages to non-wages expenditure.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

25. Delay in Completion of County Assembly Offices

The statement of receipts and payments reflects an expenditure of Kshs.92,969,206 on acquisition of assets. Included in this amount is an expenditure of Kshs.37,740,079 on construction of buildings relating to County Assembly offices. Review of records indicated

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that the Project was initiated in 2016 but the contractor failed to execute the contract as required leading to termination of the same in August, 2017.

The records further indicated that the County Assembly engaged another contractor on 12 March, 2018 at a contract sum of Kshs.622,233,278. An amount of Kshs.264,909,152 had been paid as at the time of audit. However, physical inspection of the Project in November, 2021 revealed that undercoat paint had been applied but the contractor was not on site. In addition, the progress report provided for audit indicated that the work was only 70% complete, while the estimated Project completion date of 15 September, 2019 had elapsed by over two (2) years.

In the circumstances, due to possible escalation of costs arising from delayed completion, value for money may not be realized on the Project.

26. Operations of the County Assembly Service Board

Information provided for audit indicated the existence of the County Assembly of Kilifi Service Board in accordance with Section 12(7) of the County Governments Act, 2012 and Section 4 of the County Assembly Services Act, 2017. However, no evidence was provided that the County Assembly Service Board had complied with the requirements under Section 36(1) of the County Assembly Services Act, 2017 which requires the Board to, within three months after the end of each calendar year, prepare and lay before the County Assembly, a report of its operations during the year.

In the circumstances, it was not possible to confirm that the Board had executed its functions as provided in law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

27. There were no material issues relating to effectiveness of internal controls, risk management and governance.

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COUNTY ASSEMBLY OF TANA RIVER – NO.4

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

28. Unsupported Mileage Allowance

Included in the compensation of employees' amount of Kshs.271,274,548 is mileage allowance of Kshs.33,273,337. However, the expenditure was not supported by the relevant documents including a report from the transport section of the State Department of Public Works to confirm the distance between the Members of the County Assembly (MCAs) home and the Assembly's chambers. It was, therefore, not possible to verify the distance used to pay the mileage allowance.

Consequently, the accuracy, completeness and propriety of the expenditure on mileage allowance of Kshs.33,273,337 could not be confirmed.

29. Unsupported Domestic Travel and Subsistence

The statement of receipts and payments for the year ended 30 June, 2021 reflects use of goods and services amount of Kshs.214,148,843 and as disclosed in Note 3 to the financial statements. Included in this amount is Kshs.125,302,735 in respect of domestic travel and subsistence allowances. Review of payment records and other supporting documents revealed that expenditure of Kshs.11,616,500 made to Members of the County Assembly (MCAs) and staff as subsistence allowance while on official duties outside their duty station was not supported with relevant documents such as travel documents, duly approved invitations for the meetings or training. Further, a return to office report was not prepared.

In the circumstances, the accuracy, completeness and propriety of domestic travel and subsistence allowance amounting to Kshs.11,616,500 could not be ascertained.

30. Unsupported Training Expenses

The statement of receipts and payments for the year ended 30 June, 2021 reflects use of goods and services amount of Kshs.214,148,843 and as disclosed in Note 3 to the financial statements. Included in the use of goods and services amount of Kshs.214,148,843 is Kshs.4,955,804 incurred on training expenses. However, review of payment records and other supporting documents revealed that payments amounting to Kshs.1,985,816 were not supported with training needs assessment report, travel documents and attendance register.

Consequently, the accuracy and completeness of training expenses of Kshs.1,985,816 could not be ascertained.

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31. Unconfirmed Office and General Supplies

The statement of receipts and payments for the year ended 30 June, 2021 reflects use of goods and services amount of Kshs.214,148,843 and as disclosed in Note 3 to the financial statements. Included in the use of goods and services amount of Kshs.214,148,843 is office and general supplies amount of Kshs.33,053,222 out of which procurement and payment documents to support an expenditure of Kshs.2,575,000 were not provided for audit.

In the circumstances, the accuracy, completeness and validity of office and general supplies expenditure of Kshs.2,575,000 could not be confirmed.

32. Irregular and Unsupported Contributions to County Assemblies Forum

The statement of receipts and payments for the year ended 30 June, 2021 reflects use of goods and services amount of Kshs.214,148,843 and as disclosed in Note 3 to the financial statements. Included in other operating expenses amount of Kshs.24,191,765 is an amount of Kshs.5,000,000 made to the County Assemblies' Forum. However, no evidence was provided for audit to indicate that the payments were received by County Assemblies Forum (CAF).

In addition, Management did not provide the basis for making the expenditure as the County Assembly Forum is not a legally recognized entity.

In the circumstances, the propriety of expenditure of the Kshs.5,000,000 could not be confirmed and Management was in breach of law.

Other Matter

33. Late Exchequer Releases

During the year under review, the County Assembly received exchequer amount of Kshs.43,452,450 in the month of June, 2021. Due to the late remittances by The National Treasury, the Assembly could not undertake the planned and budgeted for programmes on time.

The delayed implementation of the budget affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

34. Exceeded Number of Assembly Staffs

Review of the payroll for the Assembly revealed that there were seventy-seven (77) employees as at 30 June, 2021. This is against the provision of the Commission on Revenue Allocation Circular No.CRA/FA/01 VOL 11 (22) which set the limit of the County

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Assembly employees to seventy-five (75) and therefore exceeding the required number by two (2) employees.

In the circumstances, Management was in breach of the guidelines.

35. Over Commitment of Salary

An analysis of the payrolls for the year ended 30 June, 2021 revealed that seven (7) employees received net salaries of less than a third of their basic salary.

This was contrary to the provisions of Section 19(3) of Employment Act, 2007 which states that the total amount of all deductions which under the provisions made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

In the circumstances, Management was in breach of law.

36. Over Employment of Staff in the County Wards Offices

The Management of the Assembly engaged one hundred and forty-nine (149) employees for both elected and nominated Members of County Assembly in their respective wards' offices instead of sixty-nine (69) employees as required by Commission of Revenue Allocation Circular Ref. CRA/CSO/CMG/9/VOL.V/43 dated August, 2021.

The Assembly, therefore, engaged eighty (80) employees over and above the required number resulting in an irregular expenditure of Kshs.16,312,962 during the year under review in contravention of the law.

37. Compensation of Employees in Relation with Total Receipts

The County Assembly incurred expenditure of Kshs.271,274,548 as compensation of employees. This was 44% of the total revenue of Kshs.614,549,783 and thus exceeded the recommended ratio of 35% stipulated under Regulation 25(1)(b) of Public Finance Management (County Governments) Regulation, 2015.

In the circumstances, Management was in breach of law.

38. Failure to Establish Audit Committee

The Assembly had not established an Audit Committee. This was contrary to Regulation 167(1) of Public Finance Management (County Governments) Regulations, 2015 which requires the County Government entities to establish audit committee to monitor the entities governance processes, accountability processes and control systems, offer objective advice on issues concerning risk control and governance and associated assurance and also follow up on the implementation of the recommendations of internal and external auditors.

In the circumstances, Management was in breach of the law.

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39. Lack of Functional Internal Audit Unit

During the year under review, the Assembly did not have a functional internal audit department. This was contrary to Section 155 of the Public Finance Management Act, 2015 which states that a County Government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Public Sector Accounting Standards Board. In the absence of an Internal Auditor, the internal control system was considered fairly weak.

In the circumstances, Management was in breach of law.

40. Stalled Construction of Speakers Residence

The County Assembly entered into a contract for the Construction of the Speaker's residence at a contract cost of Kshs.28,088,685. During the year under review, the Assembly Management incurred expenditure of Kshs.5,188,028 in respect of the construction of Speaker's residence. Records provided for audit revealed that the contract had a completion period of forty (40) weeks which ended on February, 2021. However, physical inspection conducted on 12 November, 2021 revealed that works at the site had stalled at the sub structure level as the contractor was not on site at the time of inspection, nine (9) months past the expected completion.

In the circumstances, value for money on the Construction of the Speaker's residence has not been achieved.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

41. Ineffective Internal Controls on Cash and Bank

The Assembly prepared its bank reconciliation statements manually instead of using IFMIS. Further, Management did not submit the bank reconciliations to the Office of the Auditor-General as required by Regulation 90 of Public Finance Management (County Governments) Regulations, 2015 which requires that Accounting Officers shall ensure bank accounts reconciliations are completed for each bank account held by that Accounting Officer every month and submit a bank reconciliation statement not later than the 10th of the subsequent month to the County Treasury with a copy to the Auditor-General.

42. Lack of Updated Fixed Assets Register

Annex 2 to the financial statements reflects a summary of fixed assets register balance of Kshs.438,034,081 as at 30 June, 2021 compared to Kshs.339,514,341 as at 30 June, 2020 as the balance for Assembly's non-current assets. The Assembly did not however, have in place policies and procedures relating to asset management. Non-current assets were not physically inspected on a regular basis. In addition, the Assembly did not maintain a register of land and buildings recording each parcel of land and each

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building and the terms on which it is held, with reference to the conveyance, address, area, dates of acquisition, disposal or major change in use, capital expenditure, lease hold terms, maintenance contracts and other pertinent management details as required by Regulation 136(2) of the Public Finance Management (County Governments) Regulations, 2015.

Further, it was not clear how assets inherited from defunct local authorities were treated in Assembly's books.

This is an indication of poor internal control systems.

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COUNTY ASSEMBLY OF LAMU – NO.5

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

43. Variances between the Trial Balance and Financial Statements

Analysis of the Integrated Financial Management Information System (IFMIS) trial balance and balances in the ledgers supporting the financial statements revealed that the two sets of documents had variances of Kshs.2,853,125,544 as detailed below: -

Account No and Description	Trial Balance Amount (Kshs.)	Ledger Amount (Kshs.)	Variance (Kshs.)
Domestic Travel and Subsistence	51,145,945	51,394,145	(248,200)
Foreign Travel	7,955,394	7,703,894	251,500
Rental of Produced Assets	1,735,000	1,740,000	(5,000)
Hospitality	9,559,950	9,820,050	(260,100)
Insurance Costs	3,810,905	10,791,503	(6,980,598)
Office and General Supplies	7,031,940	7,020,740	11,200
Purchase of Office Furniture	16,815,000	7,678,000	9,137,000
Purchase of Specialized Plant	14,989,590	0	14,989,590
Domestic Loans to Individuals	11,400,000	0	11,400,000
Recurrent bank Accounts	170,987,229	16,308,988	154,678,241
Development Bank Accounts	87,548,664	142	87,548,522
Cash in Hand	2,576,142,629	0	2,576,142,629
Other Debtors and Prepayments	4,337,618	0	4,337,618
Government Imprests	2,123,142	0	2,123,142
Total	**2,965,583,006**	**112,457,462**	**2,853,125,544**

In the circumstances, the accuracy and the completeness of the above balances in the financial statements could not be confirmed.

44. Unsupported Staff Mortgage

The County Assembly entered into a memorandum of understanding with a commercial bank for staff mortgage in March, 2018. The County Assembly was to deposit an amount of Kshs.100,000,000 which the bank would use to issue mortgage to eligible members of

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staff. Management transferred an amount of Kshs.26,600,000 during the year under review. However, Management did not provide comprehensive loan statements and details of beneficiaries of the mortgage to confirm the correct status of the mortgage facility as at 30 June, 2021.

In the circumstances, the accuracy and propriety of the amount of Kshs.26,600,000 transferred for staff mortgage as at 30 June, 2021 could not be ascertained.

45. Unsupported Use of Goods and Services

The statement of receipts and payments reflects use of goods and services amount of Kshs.139,824,933 and as disclosed in Note 4 to the financial statements. The amount includes an expenditure of Kshs.6,266,813 incurred on other operating expenses out of which an amount of Kshs.2,600,000 was spent on subscription fees for County Assembly Forum and Kshs.750,000 on Society of Clerks-At-The-Table all totalling to Kshs.3,350,000. However, the payments were not supported with an acknowledgement receipt for the monies paid and the Society was not anchored in law as a beneficiary of the public funds.

The balance also includes an expenditure of Kshs.51,394,145 incurred on domestic travel and subsistence allowances. However, review of records indicated that expenditure of Kshs.2,275,700 was not been supported by copies of vehicles' work tickets or bus tickets and back to office reports.

In the circumstances, the accuracy, completeness and propriety of expenditure on subscriptions amount of Kshs.3,350,000 and domestic travel and subsistence allowances amounting to Kshs.2,275,700 all totalling to Kshs.5,625,700 could not be ascertained.

46. Unsupported Acquisition of Assets

The statement of receipts and payments reflects acquisition of assets amounting to Kshs.41,254,442 which, as disclosed in Note 5 to the financial statements includes an amount of Kshs.2,737,522 incurred on construction of buildings. However, project file with project details on past payments, contract agreement, contract amount and bills of quantities were not provided.

Consequently, the accuracy, completeness and propriety of expenditure of Kshs.2,737,522 on construction of buildings could not be confirmed.

Other Matter

47. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling to Kshs.520,000,000 and Kshs.352,077,400 respectively, resulting to an underfunding amounting to Kshs.167,922,600 or 32% of the budget. Similarly, the statement reflects final expenditure budget and actual on

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comparable basis totalling to Kshs.520,000,000 and Kshs.349,842,428 respectively, resulting to an underperformance amounting to Kshs.170,157,572 or 33% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

48. Late Exchequer Releases

During the year under review, the County Assembly received exchequer releases totalling to Kshs.352,077,400 from the County Executive. However, included in this amount are late disbursements totalling to Kshs.71,900,800 received in the months of June, 2021 as detailed below:

Failure by the National Treasury to release money on time may have negatively impacted on service delivery to the public.

49. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given satisfactory explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury and Planning Circular for the year ended 30 June, 2021.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

50. Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

The statements of receipts and payments reflects an expenditure of Kshs.157,363,053 on compensation of employees representing 45% of the total receipts of Kshs.352,077,400. This is contrary to the provisions of Regulation 25(1) (a) and (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.

In the circumstances, Management was in breach of the law.

51. Non-Compliance with Law on Ethnic Composition

During the year under review, the County Assembly had a representation of 59% of the total number of employees from members of the dominant ethnic community in the county. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, “all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community”.

In the circumstances, Management was in breach of the law.

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52. Delay in Project Implementation

During the year under review, the County Assembly had earmarked projects worth Kshs.120,000,000 for implementation under the development vote. However, five (5) out of seven (7) projects with budgeted amount of Kshs.70,000,000 were not implemented.

In the circumstances, non-implementation of projects may have denied the public timely provision of services.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

53. Failure to Establish an Audit Committee

The Management had not established an Audit Committee contrary to Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015 which requires County Government entities to establish an Audit Committee in accordance with prescribed regulations to monitor the entities' governance processes, accountability processes and control systems, offer objective advice on issues concerning risk control and governance and associated assurance and also follow up on the implementation of the recommendations of internal and external auditors.

In the absence of an audit committee, the Management can easily override controls and in such instances, cases of fraud and errors may not be detected or corrected on time.

In the circumstances, it was not possible to confirm existence of effective overall governance measures at the County Assembly.

54. Lack of Internal Audit Department

During the year under review, the Management had not established Internal Audit Unit. This is contrary to Section 155 of the Public Finance Management Act, 2012, which states that a County Government entity shall ensure that it complies with the Act and has appropriate arrangements for conducting internal audit according to the guidelines issued by the Public Sector Accounting Standards Board.

In the absence of an effective internal audit department, the County Assembly's internal control system may not be effective.

55. Lack of Information and Communication Technology (ICT) and Disaster Management Policies

A review of the ICT revealed that the Assembly did not have an ICT Policy, Data Recovery Plan (DRP) and ICT Security Policy which are vital in an effective and efficient management of the entity's IT resources. Further, the Assembly did not have an IT steering committee, which is important in performing the oversight function and formulation of policies to ensure that IT department functions are in place to assist in the

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achievement of Assembly's objectives in an efficient, economic and effective manner. Further, the Assembly did not have periodic IT reports, which are supposed to assess the status of implementation of IT systems and suggest corrective measures.

The County Assembly is likely to be exposed to risk of loss of vital data and information in case disaster strikes.

56. Weaknesses in Maintenance of the Cashbook

Review of the cashbook indicated that, there was no evidence that a senior officer checked the accuracy and completeness of the excel cashbook and bank reconciliation statements.

In the circumstances, error and inaccuracies may not be detected in a timely manner.

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COUNTY ASSEMBLY OF TAITA/TAVETA – NO.6

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

57. Insufficient Disclosures in the Financial Statements

The financial statements contain the following anomalies:

i. The statement of financial assets and liabilities reflects a debit prior year adjustment totalling to Kshs.665,586 which is also disclosed as a receivable in Note 17 to the financial statements. However, the Note does not provide information on the nature and purpose of the adjustment.

ii. The statement of comparison of budget and actual amounts - recurrent and development combined - does not include a commentary on significant variances between actual and budgeted receipts and expenditures. Further, contrary to Paragraph 1.7.23 of International Public Sector Accounting Standard (IPSAS) -Cash Basis, the reasons for the adjustments made on the original budget have not been disclosed.

In view of these anomalies, the financial statements do not provide sufficient disclosures on the operations of the County Assembly and do not conform to the reporting requirements set by the Public Sector Accounting Standards Board (PSASB)

58. Use of Goods and Services

The statement of receipts and payments reflects expenditure on use of goods and services totalling to Kshs.272,483,543 out of which Kshs.201,019,189 relates to domestic travel and subsistence, as disclosed in Note 5 to the financial statements. However, the following anomalies were noted in relation to travel and subsistence expenditure:

58.1 Unsupported Domestic Travel and Subsistence Allowances

Requests and approvals for allowance payments totalling to Kshs.2,865,400 and the activities undertaken thereof were not provided for audit. As a result, the occurrence, propriety and accuracy of the expenditure could not be confirmed.

58.2 Misstatement of Ward Office Expenditure

The domestic travel and subsistence expenditure totalling to Kshs.201,019,189 includes Kshs.13,260,000 disbursed to the Members of County Assembly for Ward Office running expenses which were unrelated to domestic travel and subsistence.

Consequently, the domestic travel and subsistence expenditure totalling to Kshs.13,260,0000 is not fairly stated.

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Other Matter

59. Budgetary Control and Performance

The statement of comparison budget and actual amounts - recurrent and development combined reflects final revenue budget of Kshs.699,775,000 against actual revenue of Kshs.591,413,161 resulting in a shortfall of Kshs.108,361,839 or 15% of the budget.

The statement also reflects a final expenditure budget totalling to Kshs.699,775,000 against actual expenditure totalling to Kshs.547,133,322, resulting in under-expenditure of Kshs.152,641,678 or 22%.

The shortfall of revenue and under-expenditure suggests that some activities planned for the year under review may not have been carried out. Therefore, the capacity of the County Assembly to undertake its legislative and oversight roles may have been constrained.

60. Prior Year Issues

The report for the previous year highlighted unsatisfactory matters in relation to several balances reflected in the financial statements, and on lawfulness and effectiveness in use of public resources. However, contrary to the reporting format prescribed by the Public Sector Accounting Standards Board, the financial statements for the year under review do not contain a report on the progress made in addressing the matters which, therefore, remain unresolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

61. Lack of Training Needs Assessment Records

Revenue of records on training expenses indicated that payments totalling to Kshs.1,160,203 were made in the year under review in relation to training activities. However, records on assessments, if any, made to identify the training activities were not provided for audit. As a result, the regularity and value for money on the expenditure incurred on the activities could not be confirmed.

62. Irregular Procurement of Laptops

Expenditure records indicated that Kshs.1,565,047 was spent on a local vendor who supplied twenty-four (24) laptops at a contract price of Kshs.2,396,400.

However, procurement records provided for audit indicated that the laptops were bought through Request for Quotations. However, the vendor was not in the list of prequalified suppliers, contrary to the requirements of Section 162(3) of the Public Procurement and

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Asset Disposal Act, 2015. As a result, expenditure incurred on the laptops was irregular and further, value for money on the purchase could not be confirmed.

63. Failure to Reserve Supply of Goods, Works and Services

Review of procurement records indicated that contrary to Regulation (5) of the Public Procurement and Asset Disposal Regulations, the County Assembly did not reserve a minimum of twenty percent (20%) of its procurement budget to supplies by tenderers resident in the County.

In addition, contrary to Regulation 149 of the Public Procurement and Asset Disposal Regulations, 2020, there were no records of Management having allocated at least thirty percent (30%) of the procurement budget to goods, works and services supplied by enterprises owned by youth, women and persons with disabilities.

Therefore, procurement of goods and services by the County Assembly in the year under review may not have fulfilled all the provisions of the law.

64. Lack of Ethnic Diversity

Examination of staff records indicated that seventy-two percent (72%) of all members of staff under permanent and contract terms in the County Assembly were from the dominant community in the County. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which requires staffing in public entities to denote the diversity of the people of Kenya.

65. Failure to Remit Statutory Deductions

National Treasury Circular No.14/2021 dated 28 October, 2021 indicated that the County Assembly of Taita/Taveta had defaulted in remitting Kshs.17,729,960 in pension deductions from its employees to the Local Authority Pension Trust (LAPTRUST) as at 31 December, 2020. The principal amount outstanding had attracted interest totalling Kshs.21,586,289, resulting in indebtedness of Kshs.39,316,249 to LAPTRUST on the said date.

No satisfactory explanation was provided by Management for the failure to remit the pension payments.

66. Failure to Appoint Staff Advisory Committee

Records provided for audit indicated that the Taita/Taveta County Assembly Service Board had not established a Staff Advisory Committee, contrary to Section 29 of the County Assembly Service Act, 2017. The provision requires the Board to establish a Staff Advisory Committee which shall be responsible for advising the Board on matters relating to staff.

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Further, contrary to Section 36(1) of the County Assembly Service Act, 2017, a report on the operations of the Board for the year under review, or evidence that the report was laid before the County Assembly, was not provided for audit.

In view of these omissions, the Board may have operated contrary to the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

67. Weak Information Communication Technology Controls

Review of information communication technology (ICT) operations of the County Assembly revealed that physical access to critical ICT equipment was not restricted to authorized staff. Further, the ICT network was not functionally segregated or restricted and as a result its functionalities were accessible to unauthorized users. In addition, the County Assembly did not have an approved policy on back-up of its data and information.

In view of these shortcomings, the risk of unauthorized access and possible permanent loss of vital records was high.

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COUNTY ASSEMBLY OF GARISSA – NO.7

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

68. Use of Goods and Services

The statement of receipts and payments for the year ended 30 June, 2021 as disclosed in Note 3 to the financial statements reflects use of goods and services expenditure of Kshs.221,823,429. However**,** review of the expenditure revealed the following anomalies:-

68.1 Unsupported Mileage Allowance

The use of goods and services expenditure of Kshs.221,823,429 includes domestic travel and subsistence allowance expenditure of Kshs.119,947,925 out of which an amount of Kshs.14,222,939 transferred from Central Bank recurrent account to Equity Bank salary account relates to mileage allowance to members of the County Assembly. However, an amount of Kshs.10,974,205 was not supported by a breakdown of the expenditure and the month the mileage related to as well as other supporting documents such as motor vehicle logbooks and temporary work tickets.

Consequently, the accuracy and completeness of Kshs.10,974,205 on domestic travel and subsistence allowances for the year ended 30 June, 2021 could not be confirmed.

68.2 Unsupported Domestic Allowance

The use of goods and services expenditure of Kshs.221,923,429 as reflected in Note 3 includes an amount of Kshs.119,947,925 incurred on domestic travel and subsistence, out of which an amount of Kshs.5,655,000 was not supported by payment schedules and attendance registers. Further, the County Assembly's Service Board sitting allowances of Kshs.2,228,000 included in the domestic allowances were also not supported by meeting attendance register and signed payment schedules.

In the circumstances, the accuracy and completeness of Kshs.7,883,000 on domestic travel and subsistence allowances for the year ended 30 June, 2021 could not be confirmed.

68.3 Unsupported Expenditure on Training

The statement of receipts and payments reflects use of goods and services expenditure of Kshs.221,823,429 as reflected in Note 3. Included in the expenditure is Kshs.38,196,568 relating to training expenses out of which Kshs.3,619,412 was not supported with relevant documents such as work tickets or air tickets, invitation letters, workshop activity programs, nomination letters for the participating officers and attendance registers.

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Consequently, the accuracy and completeness of Kshs.3,619,412 on use of goods and services expenditure for the year ended 30 June, 2021 could not be confirmed.

68.4 Unsupported Contribution to Society of Clerks-at-the Table (SOCATT)

Included in use of goods and services expenditure of Kshs.221,823,429 is other operating expenses of Kshs.12,311,926 out of which Kshs.750,000 was remitted to the Society of Clerks-at-the Table of Kenya (SOCATT). However, there was no documentary evidence to support the basis of making payments to the Forum, which is not a gazette government entity.

In the circumstances, the completeness of Kshs.750,000 on other operating expenses for the year ended 30 June, 2021 could not be confirmed.

68.5 Unsupported Overhaul and Refurbishment of Construction and Civil Works

Note 6 to the financial statements reflects acquisition of assets balance of Kshs.12,643,638 relating to overhaul and refurbishment of construction and civil works, out of which an amount of Kshs.1,358,500 was incurred for provisional sum made in the bills of quantities as contingencies, project management expenses, prime cost, profit and testing and repair of electrical voltage expenses. However, the expenditure was not supported with documentary evidence to confirm that the utilization of provisional sum was requested and approved by tender evaluation committee as required by Section 139(2) of Public Procurement and Asset Disposal Act, 2015.

Consequently, the accuracy of the expenditure of Kshs.1,358,500 relating to acquisition of assets for the year ended 30 June, 2021 could not be confirmed.

Other Matter

69. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.1,010,402,040 and Kshs.764,054,678 respectively resulting to an underfunding of Kshs.246,347,362 or 24% of the approved budget. Similarly, the Assembly spent Kshs.763,684,487 out of the budgeted Kshs.1,010,402,040 resulting to an under-expenditure of Kshs.246,717,553 or 24% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

70. Late Exchequer Disbursement

The statement of receipts and payments for the year ended 30 June, 2021 reflects exchequer receipts totalling to Kshs.764,054,678, which includes a total of Kshs.219,000,000 being funds received within the months of June and July, 2021, out of which Kshs.83,000,000 was received after the closure of financial year ended 30 June, 2021. The delay in disbursement is contrary to Regulation 17(6) of the Public Finance Management (County Governments) Regulations, 2015.

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Consequently, the County Assembly could not undertake the planned and budgeted programmes and objectives.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

71. Non-Compliance with Public Finance Management (PFM) Fiscal Responsibilities

The statement of receipts and payments reflects total receipts of Kshs.764,054,678 and compensation of employees of Kshs.489,217,420. This is an indication that the wage bill constitutes 64% of the total receipts which is contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the wage bill should not exceed 35% of the total revenue.

In the circumstances, Management was in breach of the regulation.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

72. Use of Manual Payroll System

As at 30 June, 2021, a total of 247 members of staff 187 ward offices staff, 58 County Assembly staff-clerical officers, secretaries, personal assistants, drivers and cleaners and 2 Members of County Assembly) were paid through a manual excel payroll and not through the Integrated Personnel and Payroll Database (IPPD).

No explanation was provided as to why employees with defined job groups were not paid through the IPPD system.

73. Incomplete Summary of Fixed Assets Register

Annex 3 to the financial statement as at 30 June, 2021 reflects a summary of fixed assets balance of Kshs.197,508,123. This represents a decline of Kshs.116,877,596 (37%) from the prior year disclosed balance of Kshs.314,385,519. The reduction was caused by a fire outbreak that burnt down the County Assembly chambers and a section of the administration block. However, the asset register does not contain a provision for additions and disposals of assets and the minimum requirements of an asset register such as identification or serial numbers, acquisition date, description of asset, location, asset class, cost of acquisition, accumulated depreciation and net book values.

In addition, logbooks for four (4) motor vehicles had no transfer records from the County Executive of Garissa to the Garissa County Assembly.

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Consequently, control measures put in place by Management to safeguard assets from theft and pilferage could not be confirmed.

74. Lack of Detailed Procedures in Disaster Recovery Preparedness

Review of the County Assembly's ICT environment revealed that there was an ICT policy and disaster recovery and business continuity plan in place. However, the disaster recovery plan did not have detailed recovery procedures in place that led to serious organizational memory loss resulting from the fire that destroyed the chambers and the prefab as highlighted on Page V and Section 2.1 of the current year's financial statements. Further, the business continuity plan had not been formally approved.

Under the circumstances, it was not possible to confirm control measures put in place by Management to safeguard data and recover the same in case of a disaster like the fire that destroyed the chambers and all vital documents and information at the Assembly.

75. Lack of Approved Internal Audit Charter

Review of the governance structures in the Assembly revealed that the Assembly does not have an approved internal audit charter that spells out the internal audit purpose, authority and responsibility.

In the absence of an internal audit charter, the effectiveness of the internal audit function could not be confirmed.

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COUNTY ASSEMBLY OF WAJIR – NO.8

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

76. Over Payment of Mileage Allowances

As disclosed in Note 3 to the financial statements, the statement of receipts and payments reflects use of goods and services totalling to Kshs.346,376,437 which includes domestic travel and subsistence allowances of Kshs.222,567,817, which further include Kshs.154,056,016 paid as mileage allowance to members of the County Assembly. Comparison of the claimed distances with the actual distances from Wajir to the respective wards indicated that the claims were exaggerated. Analysis of the claims based on actual distances from Wajir to the respective wards as provided by the Ministry of Transport and Infrastructure, payable to the Members amounted to Kshs.44,933,341while the actual amount paid was Kshs.154,056,016 resulting to an unaccountable and over payment of Kshs.108,866,525.

Consequently, the accuracy and completeness of the Kshs.154,056,016 paid to Members of County Assembly as mileage claims for the year ended 30 June, 2021 could not be confirmed.

77. Processing of Payments Outside IFMIS

During the year under review, the County Assembly operated a current account at Kenya Commercial Bank, Account Number 1201485371. During the year under review, Kshs.12,279,849 was transferred to the account, which had an opening balance of Kshs.67,983, from the County Assembly Central Bank of Kenya recurrent account. However, review of the account's bank statements indicated that the account had a balance of Kshs.96,681 as at 30 June, 2021. This implies that payments amounting to Kshs.12,251,151 were made from the account all which were processed outside the Integrated Financial Management Information System (IFMIS).

Consequently, the accuracy and completeness of payments of Kshs.12,251,151 made outside IFMIS could not be confirmed.

78. Unaccounted for Members Sitting Allowances

Analysis of payroll for the year ended 30 June, 2021 indicated that the County Assembly paid Members of County Assembly and Members of County Assembly Public Service Board a total of Kshs.17,772,841 as sitting allowances for committee, plenary and Board sittings during the year. However, scrutiny of signed attendance schedules and summaries including arrears for June, 2020 indicated that members sitting allowances payable during the year under review was Kshs.14,503,100 leading to unsupported variance of Kshs.3,269,741.

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In the circumstances, the accuracy and completeness of Kshs.17,772,841 paid as sitting allowances could not be confirmed.

Other Matter

79. Pending Bills

Annex 1 to the financial statements reflects pending bills balance of Kshs.215,349,359 for which documents supporting the pending bills balance were not provided for audit review. These include creditors ledger, projects files and supplier invoices among others.

Consequently, the completeness, regularity and existence of the pending bills balance of Kshs.215,349,359 as at 30 June, 2021 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

80. Unexplained Cash Reimbursements

As disclosed in Note 3 to the financial statements, the statement of receipts and payments reflects use of goods and services of Kshs.346,376,437 which includes Kshs.17,500,000 with regard to hospitality supplies and services. Review of payment records revealed that some of the goods and services for office operations were purchased in cash by officers who would later seek reimbursement of the same. Some of the staff sought reimbursements of accumulated cash purchases of up to Kshs.400,000 per person. From a sample of documents examined, cash reimbursements to officers amounted to Kshs.3,200,000 during the year under review. The Management has not explained how the officers financed the operations of the County Assembly using their own funds.

In the circumstances, the propriety and value for money on the Kshs.3,200,000 cash purchases could not be confirmed.

81. Irregular Procurement of Legal Services

As disclosed in Note 3 to the financial statements, the statement of receipts and payments reflects other operating expenses amounting to Kshs.27,468,851 which includes Kshs.17,000,000 paid as legal fees to two law firms. However, review of the payment documents revealed that the legal services were single sourced as there was no evidence of competitive bidding from the list of prequalified legal firms. This is in contravention to Section 91(1) of the Public Procurement and Assets Disposal Act, 2015 which states that open tendering shall be the preferred procurement method for procurement of goods, works and services.

In the circumstances, Management was in breach of the law.

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82. Compensation of Employees

82.1 Irregular Payment of Special House Allowance

Analysis of June, 2021 Integrated Payroll and Personnel Database (IPPD) revealed that sixty-five (65) employees were earning special house allowances in addition to the normal house allowances approved by the Salaries and Remuneration Commission Circular Ref. No SRC/ADM/1/13 Vol. III (126) of 10 December, 2014. Although the Circular provided that public servants whose existing rates of house allowances were above the rates provided shall retain the existing levels, public servants who were subsequently promoted or re-designated were expected to take the new rates approved in the Circular.

The sixty-five (65) employees have either been promoted, re-designated or newly employed after the effective date of the Circular.

In the circumstances, Management was in breach of the law.

82.2 Failure to Maintain Staff Establishment

The County Assembly did not maintain a comprehensive approved staff establishment that indicates the optimal number of staff for each category, the number in post and the variance.

In the absence of an approved establishment, it was not possible to confirm whether the County Assembly was operating within optimal level of staff establishment.

82.3 Irregular Recruitment and Promotion of Staff

Review of staff personal files revealed that nine (9) staff personal files did not contain academic certificates of the staff or evidence of other relevant qualifications while some of the staff were appointed in job groups N and P which ordinarily require holders to have undergraduate qualifications.

In addition, an officer was promoted from scale 8 to scale 11. There was however no evidence provided to support his progression from scale 8 to 10 in order to qualify for promotion to scale 11. The officer had served in scale 8 for less than one year before being promoted to scale 11. Additionally, there was no evidence of advertisement of the position, interviews conducted and recommendation by the Staff Advisory Committee as required.

In the circumstances, it was not possible to confirm which criteria was used to promote the officer to scale 11 before serving in scales 9 and 10 in accordance with human resource guidelines.

82.4 Failure to Deduct and Remit Income Tax

During the year under review, the County Assembly paid a total of Kshs.102,000,000 as car grants to the Speaker and Members of the County Assembly. This being income from

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employment qualifies for Pay as You Earn (PAYE) tax at 30% of the amount paid. The County Assembly was therefore required to deduct PAYE amounting to Kshs.30,600,000 and remit the amount to Kenya Revenue Authority.

In the circumstances, Management was in breach of the law.

82.5 Non-Compliance with Staffing Level Ceiling

A review of the County Assembly payroll for the month of June, 2021 indicated the County Assembly had a total of one hundred and ninety-four (194) employees. The Commission on Revenue Allocation recommendation circular number CRA/FA/01 VOL 11 (22) dated 28 June, 2018 on County Government Recurrent Expenditure ceilings addressed to County Governors and Speakers of County Assemblies, capped the maximum number of staff of County Assemblies under group 2 under which County Assembly of Wajir falls, at one hundred (100). This implies that the County Assembly exceeded the maximum number of staff by ninety-four (94).

In the circumstances, Management was in breach of the law.

82.6 Non-Adherence to Ethnic Balance Requirement in Employee Composition

A review of the June, 2021 payroll indicated that the County Assembly had a total of 194 employees. However, analysis of the employees' data revealed that 99% of the employees were from the dominant ethnic community in the County. The Management did not comply with the requirement of Section 65(I)(e) of the County Government Act, 2012 which provides that the County Public Service Board shall ensure that at least 30% of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County.

In the circumstances, Management was in breach of the law.

82.7 Unexplained Manual Payroll

Review of the County Assembly's payroll established that the Assembly maintained two sets of payrolls. One payroll was using the Integrated Personnel and Payroll Database (IPPD) with a total of two hundred and thirty four (234) employees and Members of County Assembly (MCAs) while the other was in excel spreadsheet with a total of two (2) employees, four (4) Members of County Assembly and one (1) Board member. No satisfactory explanations were provided for maintaining a manual payroll.

Processing of salaries of staff and MCAs through manual payroll may expose the County Assembly to fraudulent payments.

83. Irregular Payment of Subscription Fees

Included in other operating expenses amount of Kshs.27,468,851 is an amount of Kshs.1,000,000 paid as subscription fees to Society of Clerks at the Table (SOCATT).

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This organisation is not anchored in law and therefore payments made to the organisation cannot be considered as a proper charge to public funds.

84. Irregularities in Procurement of Security Uniforms

Included in use of goods and services amount of Kshs.346,376,437 for the year ended 30 June, 2021 is an amount of Kshs.1,920,000 on provision of security uniforms. Review of the documents relating to provision of security uniforms revealed the following anomalies:

i). A purchase order which was raised on 15 August, 2020 was not approved and authorized by the relevant officers.

ii). There was no evidence in form of S13, stores ledger and inspection and acceptance committee certificate to confirm how the uniforms were received.

iii). Payment to the supplier was made on 30 July, 2020 while the quotations for the supply were opened on 3 August, 2020 and evaluation done on 4 August, 2020. This implies that payment was made before commencement of the procurement process.

In the circumstances, it was not possible to confirm whether the County Assembly obtained value for money on Kshs.1,920,000 incurred in the acquisition of security uniforms.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

85. Failure to Establish an Audit Committee

As previously reported, the County Assembly had not established an audit committee contrary to Regulation 167(1) of the Public Finance Management (County Government) Regulations, 2015 requires every County Government entity to establish an Audit Committee in accordance with prescribed regulations to monitor the entity's accountability processes and control systems, and offer objective advice on issues concerning risk, control, regulatory requirements and governance of the County.

In the circumstances, it was not possible to confirm the existence of effective overall governance of the County Assembly.

86. Information Technology Internal Controls Weaknesses

During the year under review, the Management did not have in place the following controls to ensure smooth running of its operations: -

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i. An IT strategy committee and IT steering committee. This resulted to inadequacy in IT governance, which forms a critical part of the County Assembly's governance structure.

ii. A policy to manage upgrades made to all financial/performance information systems except those done by the National Treasury. Therefore, unauthorized changes may be made to the systems and this may lead to loss of data or valuable information.

iii. Policies in place which cover physical access to IT environments. This could result in loss to information assets due to damages or theft.

iv. Disaster management and recovery policies in place including fire suppression systems.

v. Business continuity plan and the IT continuity plan including an off-site back-up plan.

In view of the above internal control weaknesses, the County Assembly's disaster management, business recovery and continuity of the operations may not be guaranteed.

87. Lack of Risk Management Policy

Review of records and interviews with Management revealed that the County Assembly had not established a risk management system. In addition, an effective reporting system that entailed hotlines, reporting centres and whistle blower facilities had not been established to support accountable and effective management of the financial and other managerial operations of the County Assembly.

In the absence of risk management policy, the Management may not identify and effectively respond to risks in order to minimize or prevent their impact.

88. Land and Building Excluded from Summary of Fixed Assets

Review of Annex 4 to the financial statements on the summary of fixed assets reflects Kshs.82,165,921 being total assets owned by the County Assembly as at 30 June, 2021. However, the asset register provided for audit did not include the land and buildings occupied by the County Assembly that was inherited from the defunct Wajir County Council. As a result, the asset register did not include all the fixed assets owned by the County Assembly.

Failure to maintain an up to date asset register may lead to loss of the County Assembly's assets.

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COUNTY ASSEMBLY OF MANDERA – NO.9

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

89. Unsupported Use of Goods and Services

The statement of receipts and payments reflects use of goods and services expenditure of Kshs.206,584,246 includes is an amount of Kshs.37,473,550 in respect of other operating expenses as disclosed under Note 3 to the financial statements. The other operating expenses further includes Kshs.11,700,000 for financing Ward Office operations for elected members. Review of payment records and Ward Office files revealed that supporting documents for expenditure amounting to Kshs.2,250,000 for 17 elected members of the Assembly for the months of July, 2020 to March, 2021 were not provided for audit. In addition, the ward file did not include copies of bank statements as required as required by Section 19 of the Mandera County Assembly Services Board (Ward Offices) Regulations, 2013.

In the circumstances, the propriety of expenditure amounting to Kshs.2,250,000 on goods and services for the year ended 30 June, 2021 could not be confirmed.

90. Un-supported Mileage Allowances

The statement of receipts and payments reflects compensation of employees amount of Kshs.449,895,719 for the year ended 30 June, 2021 which include personal allowances paid as part of salary amounting to Kshs.211,369,701 out of which an expenditure of Kshs.74,696,362 relates to mileage allowances paid to Members of County Assembly (MCA). However, review of supporting documents on the mileage allowances revealed that claims made and paid to the MCA's amounting to Kshs.1,489,986 were not supported by copies of motor vehicle logbooks or lease agreements as proof of ownership of motor vehicles used by the respective Members when travelling from County Assembly offices to their respective ward offices.

Consequently, the propriety of the expenditure amounting to Kshs.1,489,986 could not be confirmed.

Other Matter

91. Budgetary Control and Performance

The statement of budget and actual amount - recurrent and development reflects final receipts budget and actual on comparable basis of Kshs.977,053,564 and Kshs.803,919,523 respectively resulting to an under-funding of Kshs.173,134,041 or 18% of the budget. Similarly, the County Assembly spent Kshs.803,574,576 against an approved budget of Kshs.977,053,564 resulting to an under-expenditure of Kshs.173,478,988 or 18% of the budget.

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The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery.

92. Late Exchequer Releases

The statement of receipts and payments for the year ended 30 June, 2021 reflects Exchequer receipts amounting to Kshs.803,919,523, which includes a total of Kshs.207,975,790 being funds received within the months of June and July, 2021, out of which Kshs.130,130,509 was received after the closure of financial year ended 30 June, 2021 as detailed below:

Late Exchequer releases from The National Treasury may have negatively affected the Assembly's planned activities and hence service delivery.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

93. Nugatory Expenditure

Included in the use of goods and services amount of Kshs.206,584,246 for the year ended 30 June, 2021 is Kshs.37,473,550 in respect of other operating expenses as disclosed under Note 5 to the financial statements. This amount further includes Kshs.5,198,500 paid as subscription fees to County Assembly Forum and Society of Clerks at the Table. The payment was not supported by policy guidelines from the Assembly thus making the expenditure nugatory. Further, resolutions of special general meeting of Clerks at the Table dated 22 November, 2019 and 30 January, 2020 to increase the subscription was not attached to the payment records to confirm the basis upon which the amount was computed and paid.

In the circumstances, the Management did not comply with Regulation 104(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires payment vouchers of public moneys to be supported by the appropriate authority and documentation.

94. Delayed Remittance of Contributions to Retirements Schemes

Note 4 to the financial statement reflects social security benefits amounting to Kshs.18,882,627. It was however noted that the County Assembly Management delayed the remittance of the pension contribution to the Local Authorities Provident Fund (LAPFUND) and Local Authorities Pension Trust (LAPTRUST) beyond the dates stipulated by Retirements Benefits Act, 2012 for seven (7) out of twelve (12) months as indicated in the table below;

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S/No.	Month	LAPFUND Amount (Kshs.)	LAPTRUST Amount (Kshs.)	Deadline for Remittance	Date Remittance was Done
1	July, 2020	2,206,788	1,298,869	15 August, 2020	29 October, 2020
2	August, 2020	2,206,788	1,300,702	15 September, 2020	29 October, 2020
3	September, 2020	2,206,788	1,301,491	15 October, 2020	29 October, 2020
4	October, 2020	2,206,788	1,299,892	15 November, 2020	29 October, 2020
5	November, 2020	2,206,788	1,301,491	15 December, 2020	16 December, 2020
6	February, 2021	2,216,788	1,941,798	15 March, 2021	30 April, 2021
7	March, 2021	2,206,788	1,958,171	15 April, 2021	30 April, 2021
	Total	**15,457,516**	**10,402,414**		

In the circumstances, Management did not comply with Section 53A(1) of the Retirements Benefits Act, 2012.

95. Non-current Asset Register

Annex 3 to the financial statements on summary of non-current assets register reflects a total of Kshs.397,648,657 being the total value of assets owned by the Assembly as 30 June, 2021. However, the asset register provided for audit was not prepared in accordance with asset and liabilities template issued by The National Treasury vide Circular No. 5/2020 of 25 February, 2020 on preparation of fixed assets and liabilities registers for public sector.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

96. There were no material issues relating to effectiveness of internal controls, risk management and governance.

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COUNTY ASSEMBLY OF MARSABIT - NO.10

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

97. Unsupported Domestic Travel and Subsistence Allowances

Note 5 to the financial statements reflects an amount of Kshs.387,129,032 in respect to use of goods and services, which includes Kshs.76,257,725 in respect to domestic travel and subsistence allowances which further includes Kshs.18,554,600 incurred on various retreats, training activities and workshops held by the County Assembly throughout the year. However, supporting documents were not provided for audit contrary to Section 162 of Public Finance Management Act, 2012, which requires a public officer to ensure that resources within the officer's area of responsibility are used in a way that is lawful and authorized, effective, efficient, economical and transparent.

In the circumstances, the propriety of the expenditure of Kshs.18,554,600 on domestic travel and subsistence allowance could not be confirmed.

98. Compensation of Employees

98.1 Over Commitment of Salary

Note 4 to the financial statements reflects expenditure of Kshs.192,000,000 in respect to compensation of employees. However, an analysis of employee personal files, Integrated Payroll and Personnel Database (IPPD) and Manual Payroll revealed that two (2) employees received net pay which was below 1/3 of their basic pay contrary to Section 19(3) of the Employment Act, 2007 which states that the total amount of deduction of the wages of an employee shall not exceed 2/3 of such wages.

98.2 Staff Payment Outside Integrated Payroll and Personnel Database (IPPD)

Further, during the year under review, a total of Kshs.1,089,600 were processed outside IPPD in respect to two (2) staff members who were on a 3-year contract. However, it was not possible to ascertain the accuracy of this amount as the manual system requires manual calculation of deductions, net pay and constant monthly and/or annual updates which could be subject to errors. Also, it was not possible to establish why Management did not pay all its employees using the IPPD.

In the circumstances the accuracy and completeness of the employees costs of Kshs.1,089,600 could not be confirmed.

99. Irregular Membership Fees, Dues and Subscriptions

As disclosed in Note 8 to the financial statements, the statement of receipts and payments reflects payments totalling to Kshs.5,500,000 in respect to other grants and transfers being membership fees, dues and subscriptions paid to the County Assembly Forum and to the Society of Clerks at The Table (SOCATT). However, review of the SOCATT and

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CAF revealed that these bodies do not draw their mandate from the Constitution of Kenya or an Act of Parliament. In addition, the final approved budget for the period 2020-2021 does not have a provision for the payment of these subscriptions. Therefore, the basis of the payments made to these bodies is not legally supported and is contrary to Public Finance Management (County Governments) Regulations no. 105 (1) which explains that an Accounting Officer may authorize payment vouchers provided such expenditure is in respect of and within the provision of the services in a County Treasury warrant and in accordance with the law and regulations. It was possible to confirm if the expenditure was a proper charge to public funds. In addition, no evidence of an equivalent benefit to the County Assembly was provided for audit.

In the circumstances, Management was in breach of the law.

100. Delay in Completion of Construction of Chambers for the County Assembly

Note 10 to the financial statements reflects a balance of Kshs.73,446,405 in respect of acquisition of assets which includes an amount of Kshs.51,179,727 for the construction of chambers for the County Assembly of Marsabit. However, records available shows that the County Assembly awarded the tender to a firm at a contract sum of Kshs.344,205,660 for a period of seventy (70) weeks and the Chamber was to be completed by 28 August, 2019. However, the project as at the time of audit in October, 2021 was still in progress almost two (2) years past the completion date.

Further, the Project management and oversight on implementation of the project could not be confirmed since the county assembly did not provide evidence that the project management and other stakeholders including representatives of the county assembly held site meetings to assess the implementation of the project and confirm the metrics during the engineers visit to give valuation certificates for payments.

In the circumstances, the County Assembly has not realized value for money due to delays in completion of the project and the quality of work and therefore user acceptability may not be guaranteed in the absence of involvement of a project management.

Other Matter

101. Budgetary Controls and Performance

101.1 Analysis of Receipts

The statement of comparison of budget and actual amounts - recurrent and development combined reflects approved final budgeted receipts of Kshs.859,885,589 and actual receipts of Kshs.691,321,023 resulting to a budget shortfall of Kshs.168,564,566 or 20%. of the budgeted receipts. The explanatory notes to the statement indicate that this budget shortfall was due to underfunding of the budget by the National Treasury.

The shortfall of Kshs.168,564,566 represents budgeted goods and services that were not delivered to the public. There is need therefore for the Management to review its budget

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making process with a view to formulating a realistic budget that would be actualized for service delivery to the public.

102. Analysis of Expenditures

Note 10 to the financial statements reflects a balance of Kshs.73,446,405 in respect of acquisition of assets, which includes Kshs.51,179,727 in respect to construction of buildings. However, the expenditure exceeded the approved development budget on construction of buildings of Kshs.31,000,000 by Kshs.20,179,727 contrary to Regulation 50(2) of the Public Finance Management Act, 2012 and the County Government Regulations 2015 that require expenditure commitment to be controlled based on allocations and allotments from an approved budget.

103. Prior Year Unresolved Issues

In the report of the previous year, issues were raised under Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, although the Management has indicated that some have been resolved, the matters remained unresolved as the Senate is yet to deliberate on the Report for 2019/2020.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

104. Training and Workshops Outside the County

Note 5 to the financial statements reflects an amount of Kshs.387,129,032 on use of goods and services, of an amount of Kshs.76,257,725 in respect to domestic travel and subsistence allowances, which further includes Kshs.8,682,500 incurred on payments of per diem allowances while on training, workshops and committees' retreats conducted by the County Assembly at various venues outside the County Assembly premises. However the activities were carried out contrary to Treasury Circular Ref No ES.1/03 J (79) of 4 November, 2015 that states that all workshops and retreat with majority of participants drawn from the same station should be held within the duty station.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

105. There were no material issues relating to effectiveness of internal controls, risk management and governance.

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COUNTY ASSEMBLY OF ISIOLO - NO.11

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

106. Unsupported Expenditure on Domestic Travel and Subsistence

The statement of receipts and payments reflects Kshs.154,033,281 in respect to use of goods and services and as disclosed in Note 3. This expenditure includes Kshs.85,279,457 in respect to domestic travel and subsistence out of which Kshs.510,000 was paid to County Ward Managers whose supporting documents including payment cheques or acknowledgement of receipt by the ward managers were not provided for audit.

In addition, the domestic travel and subsistence expenditure of Kshs.85,279,457 includes an amount of Kshs.664,500 in respect to allowances out of which Kshs.612,500 was paid to Member of the County Assembly for a trip to Lodwar. However, the report in support of the trip was not duly signed. Further, an amount of Kshs.52,000 paid on 18 December, 2020 was not supported with documents including work/bus tickets, certificate of attendance, back to office reports, invitation letters and approval letters were not provided for audit.

In the circumstances, the propriety of expenditure of Kshs.1,174,500 for the year ended 30 June, 2021 could not be confirmed.

107. Inclusion of Expenditure Incurred in the Previous Year in this Year's Financial Statements

The statement of receipts and payments reflects Kshs.39,472,156 in respect to acquisition of assets as disclosed in Note 5. The amount includes Kshs.38,572,156 in respect to construction of buildings out of which Kshs.20,078,480 was paid to a firm on 01 March, 2021 for the construction of Assembly debating chamber and restaurant. However, the Kshs.20,078,480 expenditure included Kshs.18,493,676 related to 2019/2020 financial year and not the year under review. The Kshs.39,472,156 in respect to acquisition of assets expenditure for the year ended 30 June, 2021 is overstated by Kshs.18,493,676 incurred in the previous year

In the circumstances, the accuracy and completeness of Kshs.20,078,480 for construction of Assembly debating chamber and restaurant could not be confirmed.

108. Unsupported Expenditure on Rent for MCAs Offices

The statement of receipts and payments and as disclosed in Note 6 reflects Kshs.60,420,922 in respect to other payments which includes Kshs.17,135,000 paid to

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Garba Raha Hotel for rent of Members of County Assembly (MCAs) offices whose supporting documents such as payment vouchers and lease agreement were not provided for audit. Further, a payment voucher number 111-K provided for audit reflected that Kshs.3,510,000 was paid on 31 December, 2020 to Garba Raha Hotel for rent up to 31 December, 2020. However, it was not established which account the amount was charged into.

In the circumstance, the accuracy and completeness of expenditure totalling to Kshs.20,645,000 comprising Kshs.17,135,000 and Kshs.3,510,000 expenditures for the year ended 30 June, 2021 could not be confirmed.

109. Variance in Transfers from the County Treasury or chequer Releases

The statement of receipts and payments and as disclosed in Note 1 to the financial statements reflects Kshs.521,346,337 relating to transfers from the County Treasury/ Exchequer releases. However, the County Executive financial statements reflects transfers to County Assembly of Kshs.559,346,337 resulting to an unexplained variance of Kshs.38,000,000. Further, review of records indicated the amount of Kshs.38,000,000 related to County Assembly Car Loan Scheme Fund which was disbursed directly to the Members Car Loan Fund instead of to the County Assembly.

In the circumstances, the accuracy and completeness of the transfers from County Treasury the Kshs.521,346,337 for the year ended 30 June, 2021 could not be confirmed.

110. Use of Goods and Services

110.1 Unsupported Expenditure on Hospitality Supplies and Services

The statement of receipts and payments reflects Kshs.154,033,281 in respect to use of goods and services and as disclosed in Note 3. The amount includes Kshs.7,272,100 in respect to hospitality, supplies and services out of which Kshs.1,300,000 was paid to a firm on 23 December, 2020 for provision of catering services for public participation for 900 participants. However, review of evidence provided revealed that only 162 people participated in the public participation.

In the circumstances, the propriety of expenditure amounting to Kshs.7,272,100 could not be confirmed.

110.2 Unsupported Expenditure on Payment to County Assembly Forum (CAF)

The statement of receipts and payments and Note 3 reflects Kshs.154,033,281 in respect to use of goods and services. The amount includes Kshs.9,800,000 in respect to other operating expenses out of which Kshs.4,200,000 was paid as subscription to County Assemblies Forum (CAF). However, the enabling legislation supporting the contribution to the forum including documents showing how the funds were spent were not provided for audit.

In the circumstances, the propriety and completeness of expenditure of Kshs.4,200,000 for the year ended 30 June, 2021 could not be confirmed.

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110.3 Unsupported Expenditure on Society of Clerks at the Table (SOCATT)

The statement of receipts and payments reflects an expenditure of Kshs.154,033,281 in respect of use of goods and services and as disclosed in Note 3. The amount includes Kshs.9,800,000 under operating expenses out of which, Kshs.700,000 was in respect of subscriptions to Society of Clerks-At-The Table in Kenyan Legislatures (SOCATT). However, the supporting documents including budgetary allocation and how the funds were spent were not provided for audit review.

In the circumstances, the accuracy and completeness of the Kshs.700,000 expenditures for the year ended 30 June, 2021 could be confirmed.

111. Failure to Update the Fixed Assets Register

Summary of fixed assets register at Annex 4 reflects a balance of Kshs.513,093,933 in respect to summary of fixed assets. However, the fixed assets register provided for audit revealed that details in the assets register were last updated up to year 2018. Further, the Assembly acquired more assets during the year under review which had not been captured in the asset register. Also, assets acquired from year 2019 to date were not disclosed in the assets register.

In the circumstances, the accuracy and propriety of the balance of Kshs.513,093,933 in respect of fixed assets as at 30 June, 2021 could not be confirmed.

Other Matter

112. Prior Year Issues

The audit report for the previous year highlighted several issues in respect of the financial statements, lawfulness and effectiveness of public resources, and effectiveness of internal controls and governance. Management's report on the progress made in resolving the issues, at Note 5 of other important disclosures indicates that issues relating to the financial statements had not been resolved as at 30 June, 2021. The report does not provide any information on the other issues highlighted in the report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

113. Failure to Consult the Attorney General Before Hiring Private Lawyers

The statement of receipts and payments reflects an expenditure of Kshs.154,033,281 in respect to use of goods and services. As disclosed in Note 3 to the financial statements, the amount includes Kshs.9,800,000 in respect to other operating expenses out of which Kshs.3,500,000 was paid to a law firm for legal services contrary to Section 17(1) of the Office of the Attorney General Act, 2012 which states that no Ministry or Department shall engage the services of a consultant to render any legal services relating to the functions

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of the Attorney-General without approval of the Attorney General. Further, there were no court proceedings or attendance bonds to confirm the advocates presence in court to support the payments made. In addition, the amount of Kshs.3,500,000 includes Kshs.1,500,000 paid outside IFMIS system but was supported by three (3) un-numbered payment vouchers of Kshs.500,000 each.

In the circumstances, Management was in breach of the law.

114. Lack of a Procurement Plan

During the year under review, the Assembly did not have an approved procurement plan in place. This is contrary to Section 45(3)(a) of the Public Procurement and Assets Disposal Act, 2015 which states that all procurement processes shall be within the approved budget of the procuring entity and shall be planned by the procuring entity concerned through an annual procurement plan.

In the circumstances, Management was in breach of the law.

115. Lack of a Public Finance Management Standing Committee

During the year under review, the Assembly did not have the Public Finance Management Committee (Standing Committee) in place. This is contrary to Regulation 18(1) of the Public Finance Management (County Governments) Regulations, 2015, which stipulates that there, is established in every County Government entity a Public Finance Management standing committee to provide strategic guidance to the entity on Public Finance Management matters.

In the circumstances, Management was in breach of the law.

116. Failure to Prepare, Publish and Publicize Quarterly Financial Reports

The County Assembly did not prepare, publish and publicize quarterly financial reports as required by Section 166(1) of the Public Finance Management Act, 2012 which states that an Accounting Officer for a County Government entity shall prepare a report for each quarter of the financial year in respect of the entity. Section 166(4)(c) states that not later than one month after the end of each quarter, the County Treasury shall publish and publicize them.

In the circumstances, Management was in breach of the law.

117. Failure to Present the Financial Statements in Accordance with the Public Sector Accounting Standards Board (PSASB) Guidelines

The Assembly's financial statements for the year ended 30 June, 2021 provided for audit reflects the following anomalies:

i. The date when the financial statements were signed is missing (not indicated) on pages xiii, 1, 2, 3, 4, 5 and 6.

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ii. The financial statements balances are not rounded off to the nearest shilling on pages 14, 15 and 18.

In the circumstances, the Assembly's financial statements were not prepared in accordance with the Public Sector Accounting Standards Board (PSASB) reporting template issued in June, 2021 and the International Public Sector Accounting Standards (Cash Basis).

118. Unsupported Expenditure on Accommodation Allowance

The statement of receipts and payments reflects use of goods and services balance of Kshs.154,033,281. As disclosed in Note 3 to the financial statements, the balance includes Kshs.85,279,457 in respect to domestic travel and subsistence out of which Kshs.700,000 was paid as transport and per diem allowances for 5 days to 16 officers for documenting Senate audit responses, an activity which was held at Rangelands Hotel in Meru County. However, supporting documents including documents showing how the hotel services were procured were not provided for audit. Further, it has not been possible to ascertain if indeed the hotel services were procured. Also, the assignment was done outside the duty station contrary to Section 7 of the National Treasury Circular Number 20/2015 on commitment control and expenditure measures which curtails spending on domestic travel and other related expense by moving from headquarters to other towns for purpose of discussing strategy documents, consultants reports or even other assignment which would ordinarily be done in office or within the County. The validity and value for money for the Kshs.700,000 expenditure for the year ended 30 June, 2021 could not be confirmed.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

119. There were no material issues relating to effectiveness of internal controls, risk management and governance.

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COUNTY ASSEMBLY OF MERU – NO.12

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

120. Accuracy of the Financial Statements

The statement of receipts and payments for the year under review reflects a balance of Kshs.23,132,741 in respect to transfer to other government entities. However, the statement of comparison of budget and actual amounts recurrent and development combined reflects an amount of Kshs.20,445,542 in respect to transfer to other government entities resulting to an unexplained variance of Kshs.2,687,199.

In addition, the statement of comparison of budget and actual amounts reflects a budgeted final exchequer releases amount of Kshs.917,309,532. However, a recast of the receipts amounted to shs.917,669,532 thereby resulting to an unexplained variance of Kshs.360,000.

Further, Notes 3 and 4 to the financial statements reflect Kshs.480,715,437 and Kshs.416,097,371 in respect to compensation of employees and use of goods and services respectively. However, a recast of the expenditure amounted to Kshs.480,718,437 and Kshs.411,292,221 resulting to unexplained variances of Kshs.3,000 and Kshs.4,805,150 respectively.

In the circumstances, the accuracy and completeness of the balances reported in the financial statements for the year ended 30 June, 2021 could not be confirmed.

121. Compensation of Employees - Use of a Manual Payroll

As disclosed in Note 3 to the financial statements, the statement of receipts and payments for the year ended 30 June, 2021 reflects Kshs.480,715,437 in respect to compensation of employees. However, records provided revealed that out of the amount of Kshs.480,715,437, an amount of Kshs.47,315,380 was paid to two hundred and seven (207) ward offices' employees through the manual payroll during the year ended 30 June, 2021. This is contrary to the requirement of Section 12(1)(e) of the Public Finance Management Act, 2012 which states that subject to the Constitution and this Act, the National Treasury shall design and prescribe an efficient financial management system for the national and county governments to ensure transparent financial management and standard financial reporting as contemplated by Article 226 of the Constitution.

In the circumstances, the accuracy of the compensation of employee's expenditure through manual payroll of Kshs.47,315,380 in the financial statements for the year ended 30 June, 2021 could not be confirmed.

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122. Ward Operating Expenses

As disclosed in Note 4 to the financial statements, the statement of receipts and payments reflects Kshs.416,097,371 relating to use of goods and services. This amount includes Kshs.64,269,561 on account of other operating expenses which further includes Kshs.18,486,286 issued as imprest to forty-five (45) wards and twenty-two (22) nominated MCAs.

However, review of the imprest surrender vouchers revealed the following: -

i) There was no structure for procurement of most of the common user items in these wards contrary to Section 33(3) of the Public Procurement and Asset Disposal Act, 2015 which states that "the County Treasury may prescribe an institutional framework to provide for the procurement, administration and management of common user items for the county government."

   As a result, the wards had uncontrolled and unguided spending on these items, each sourcing directly for the items, contrary to the provisions of Article 227(1) of the Constitution which requires that when a public entity contracts for goods or services, it shall do so in accordance with a system that is fair, equitable, transparent, competitive and cost-effective.

ii) Some of the receipts used for surrender of government funds were doubtful as they were not serialised, did not bear the dates, handwriting seemed similar, did not bear the official details of the merchants from whom the wards procured items and they did not bear the tax registration details of the merchants, thereby possibly denying the government tax revenue.

iii) An abstract and analysis of the memorandum cash books for all wards and nominated Members of County Assembly were not provided for audit contrary to Regulation 93(15) of the Public Finance and Management (County Governments) Regulation, 2015, which states that when the imprest holder needs to have his or her funds replenished, he or she shall send an abstract and analysis of his or her memorandum cash book, plus originals of the supporting payment vouchers to accounts division.

In the circumstances, the propriety and accuracy for the expenditures of Kshs.18,486,286 for the year ended 30 June, 2021 could not be confirmed.

Other Matter

123. Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues 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, no report or recommendations from the County Assembly Management and oversight bodies were provided for audit verification. Further, the issues remained unresolved contrary to Section 149(2)(l) of the Public Finance Management

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Act, 2012 which require Accounting Officers designated for county government entities to try to resolve any issues resulting from an audit that remain outstanding.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

124. Compensation of Employees

124.1 Non-Compliance with the Law on Fiscal Responsibility – Wage Bill

The statements of receipts and payments reflects an expenditure of Kshs.480,715,437 on compensation of employees representing 51% of the total receipts of Kshs.947,936,408. This is contrary to the provisions of Regulation 25 (1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which limits for expenditure on wages and benefits to not more than 35% of the county government's total revenue for the year.

In the circumstances, Management was in breach of the law.

124.2 Non-Compliance with Law on Ethnic Composition

During the year under review, the total number of employees in the County Assembly was seventy-four (74) out of which, seventy-one (71) or 96 % of the total number were members of the dominant ethnic community in the county. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community".

In the circumstances, Management was in breach of the law.

125. Acquisition of Assets - Delayed Delivery of the Speaker's Vehicle

As disclosed in Note 6 to the financial statements, the statement of receipts and payments for the year ended 30 June, 2021 reflects Kshs.30,628,234 in respect to acquisition of assets, which includes Kshs.14,249,995 for purchase of a motor vehicle for the County Assembly Speaker. The vehicle was procured from a local car dealer based on the Ministry of Transport, Infrastructure, Housing and Urban Development and Public Works Contract Agreement, and payment was made on 16 November, 2020. However, at the time of audit exercise in October, 2021, the vehicle had not been delivered to the County Assembly contrary to Section 146 of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, Management was in breach of the law.

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126. Late Disbursement of Funds

As disclosed in Note 1 to the financial statements, the statement of receipts and payments for the year ended 30 June, 2021 reflects Kshs.947,936,408 in respect to transfers from the County Treasury which includes Kshs.152,441,408 transferred between 02 July, 2021 and 09 July, 2021 after the closure of the financial year on 30 June, 2021 contrary to Section 97(1) of the Public Finance Management Act (County Governments) Regulations 2015 which states that the accounts of county government entities shall record transactions which take place during a financial year running from the 1 July to the 30 June under the cash basis of accounting.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

127. There were no material issues relating to effectiveness of internal controls, risk management and governance.

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COUNTY ASSEMBLY OF THARAKA-NITHI – NO.13

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

128. Inaccurate Statement of Cash flows

The statement of cash flows for the year ended 30 June, 2021 reflects previous year net cash flow from operating activities totalling to Kshs.15,025,373. A recast of the same totals to Kshs.15,658,702 resulting to a casting error of Kshs.633,329 which has an effect on the net increase in cash and cash equivalents.

Consequently, the accuracy and completeness of the statement of cash flows for the year ended 30 June, 2021 could not be confirmed.

Other Matter

129. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.463,000,000 and Kshs.429,024,953 respectively resulting to an under-funding of Kshs.33,975,047or 7% of the budget. Similarly, the County Assembly expended Kshs.429,024,953 against an approved budget of Kshs.463,000,000 resulting to an under-expenditure of Kshs.33,975,047 or 7% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

130. Unresolved Prior Year Audit Matters

There were issues raised in the audit report for 2019/2020 financial year. However, no report or recommendations from the County Assembly Management and oversight bodies were submitted for audit verification and clearance. Further, the issues remain unresolved contrary to Section 149(2)(i) of the Public Finance Management Act, 2012 which require Accounting Officers designated for county government entities to try to resolve any issues resulting from an audit that remain outstanding.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

131. Compensation of Employees

131.1 Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

The statements of receipts and payments reflects an expenditure of Kshs.198,040,643 on compensation of employees representing 46% of the total receipts of

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Kshs.429,024,953. This is contrary to the provisions of Regulation 26(a) the Public Finance Management Regulations, 2015 which limits expenditure on wages and benefits to not more than 35% of the total revenue for the year.

131.2 Lack of an Approved Staff Establishment

During the year under review, County Assembly of Tharaka-Nithi had 73 staff comprised of one (1) seconded staff, sixty-two (62) permanent staff and ten (10) staff on contract. However, the staff establishment was not provided for audit contrary to Section B2(1)(2) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 and Regulation 119(2) of Public Finance Management Act (County Governments) Regulations, 2015 which require every Ministry/State Department and County Government entities to have human resource plans based on comprehensive job analysis and reviewed every year to support achievement of goals and objectives in their strategic plans.

Further, the Management spent Kshs.59,312,669 in respect of basic wages of temporary employees an increase of Kshs.40,384,178 from Kshs.18,928,491 in 2019/2020. However, no supporting document including authority from the County Assembly Service Board to hire them was provided for audit contrary to Section 12(7) of the County Governments Act, 2012 which states that County Assembly Service Board is responsible for constituting offices in the county assembly service, and appointing and supervising office holders.

131.3 Employees Earning Below a Third (1/3) of Basic Salary

Review of the payrolls revealed that seven (7) employees' salary deductions fell below 1/3 of the basic salary, against provisions of Section 19(3) of the Employment Act, 17 of 2007 which requires that deductions made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages.

131.4 Officer Working Beyond 60 Years

During the year under review, the County Assembly Service Board renewed a contract for a security warden for a period of three years. However, a review of the payroll revealed that as at the time of renewal the employee had attained the age of 60 years contrary to Section D.21 of the Human Resource Policies and Procedures Manual for the Public Service which states that all officers shall retire from the Service on attaining the mandatory retirement age of 60 years, 65 years for persons with disabilities and/or as may be prescribed by the government from time to time.

Further, minutes of the County Assembly Service Board approving the renewal of the contract were not provided for review.

131.5 Exceeding the Allowed Period on Acting Appointments

During the year under review, the County Assembly Service Board appointed two (2) staffs into acting capacity for the post of head of Hansard department and senior clerk

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assistant. However, the payroll submitted for audit revealed that the two employees have been receiving acting allowance for a period of one-year contrary Section C14(1) of the Public Service Human Resource Policies and Procedures Manual for the Public Service which states that acting allowance will not be paid to an officer for more than six (6) months.

In the circumstances, Management was in breach of the law.

132. Use of Goods and Services

132.1 Irregular Procurement of Printing Information, Advertisement and Supplies Services

The statement of receipts and payments reflects an amount of Kshs.193,859,137 in respect of use of goods and services and as disclosed in Note 4 to the financial statements includes an amount of Kshs.6,750,663 in respect of printing, advertising and information supplies and services. Included in the expenditure is an amount of Kshs.4,296,995 paid to various suppliers. However, the services were directly sourced contrary to Section 103(1)(2) of the Public Procurement and Assets Disposal Act, 2015. In addition, the suppliers of those services were not prequalified and registered to qualify for any invitation to bid.

132.2 Training Expenses Incurred Without Need Identification

The statement of receipts and payments reflects an amount of Kshs.193,859,137 in respect of use of goods and services and as disclosed in Note 4 to the financial statements which includes an amount of Kshs.4,129,972 in respect of training expenses. Included in the expenditure is an amount of Kshs.864,600 paid for staff undertaking trainings in Mombasa and Kisumu. However, no evidence was provided to confirm whether the training needs assessment was done contrary to provisions of Section H1(5) and H3(3) of Public Service Commission, Human Resource Policies and Procedure Manuals for the Public Service, 2016.

132.3 Irregular Payment on Training Held Outside Duty Station

The statement of receipts and payments reflects an amount of Kshs.193,859,137 in respect of use of goods and services. As disclosed in Note 4 to the financial statements, the balance includes an amount of Kshs.4,129,972 in respect of training expenses, out of which an amount of Kshs.840,000 was paid for retreat in Nairobi on validation of County Assembly strategic plan and initiation of programs for training and capacity building of members and staff. However, records for audit revealed that the meeting was attended by the County Assembly Service Board and House leadership members who are from the same duty station contrary to National Treasury Circular No.20/2015 of 4/11/2015 which states that accounting officers are required to ensure that all workshops and retreats with majority of participants drawn from one duty station are held within the precincts of the duty station.

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132.4 Irregular Procurement of Hospitality and Supplies Services

Included in the use of goods and services expenditure of Kshs.193,859,137 is an amount of Kshs.22,33,421 in respect of hospitality and supplies services, out of which Kshs.3,047,900 was paid to various hotels for retreat, report writing and workshops on review of legislative performance held in Embu, Meru and Nairobi instead of precincts of County Assembly. This is contrary to the National Treasury Circular No.20 /2015 of 4 November, 2015, which provides that accounting officer shall ensure that all workshops and retreats with majority of participants drawn from one duty station are held within the precincts of the duty station.

Further the payment vouchers were not supported with requisitions, list of participants and approvals.

132.5 Irregular Payment for Supply and Delivery of Sports Uniform and Equipment

The statement of receipts and payments reflects an amount of Kshs.193,859,137 in respect of use of goods and services and as disclosed in Note 4 to the financial statements, includes an amount of Kshs.1,982,260 in respect of specialized materials and services. Included in the expenditure is an amount of Kshs.1,700,000 comprised of Kshs.1,250,000 and Kshs.450,000 paid to two firms respectively for supply of uniforms and equipment for County Assembly Sports Association (CASA) games.

However, review of documents provided including the requisitions, payment vouchers, quotation documents and local purchase orders revealed that no specifications of the uniforms and equipment in terms of size, texture, logo and colour were provided leaving the supplier at liberty to supply any type of the kits contrary to Section 60(1) of Public Procurement and Asset Disposal Act, 2015.

132.6 Irregular Payment of Office General and Supplies Services

The expenditure on use of goods and services of Kshs.193,859,137 includes an amount of Kshs.11,185,470 in respect of office and general supplies and services. Included in the expenditure is an amount of Kshs.3,082,375 on purchase and delivery of office stationery from various suppliers. However, no specifications were prepared for the goods procured contrary to Section 60(1) of Public Procurement and Asset Disposal Act, 2015.

132.7 Irregular Subscriptions to Other Bodies

The statement of receipts and payments reflects an amount of Kshs.193,859,137 in respect of use of goods and services and as disclosed in Note 4 to the financial statements w includes an amount of Kshs.31,999,950 in respect of other operating expenses. Included in the expenditure is an amount of Kshs.2,700,000 on subscriptions to three entities including Society of Clerks at the Table, Society of Clerks and County Assembly Forum.

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However, the expenditure lacks legal back up from either the Constitution of Kenya 2010, Act of Parliament, approved regulations, ministerial circulars or even other enforceable National Government policy guidelines.

132.8 Irregular Payment for Maintenance of Motor Vehicle

The statement of receipts and payments reflects an amount of Kshs.193,859,137 in respect of use of goods and services and as disclosed in Note 4 to the financial statements which includes an amount of Kshs.2,858,143 in respect of routine maintenance of motor vehicles. Included is an expenditure of Kshs.1,702,606 paid to various suppliers for repairs and maintenance of vehicles which was not supported with inspection reports for the services rendered. This is contrary to Regulation 173(1)(2) of Public Procurement and Asset Disposal Regulations, 2020 which require faulty parts to be identified and inspection report/schedule prepared. Further, requisitions, mechanical defects report, job cards and work tickets were not provided for audit.

In the circumstances, Management was in breach of the law.

133. Unauthorized Reallocation of Funds - Acquisition of Assets

The statement of receipts and payments reflects an amount of Kshs.18,436,901 in respect of acquisition of assets and as disclosed in Note 7 to the financial statements which includes an amount of Kshs.6,438,800 in respect of purchase of office furniture and general equipment. However, funds amounting to Kshs.4,535,800 allocated for furniture were used to buy IT equipment. This contravenes Regulation 53(1) of the Public Finance Management (County Governments) Regulations, 2015 states that except as provided for in the Act and these Regulations, an Accounting Officer of an entity may not authorize payment to be made out of funds earmarked for specific activities for the purposes other than those activities.

In the circumstances, Management was in breach of the law.

134. Issuance of Multiple Imprest and Delay in Imprest Surrender

The statement of financial assets and liabilities reflects a balance of Kshs.1,382,727 in respect of accounts receivables being un surrendered imprests issued to various officers. However, officers did not surrender the imprests within the allowed time frame and on a number of occasions were issued with additional imprest before surrendering the previous ones contrary to Regulation 93(4)(b)(5) and of the Public Finance Management (County Governments) Regulation, 2015, which provides that imprests should be surrendered within seven 7 days and a further confirmation to the effect that before issuing new imprests, the applicant has no outstanding ones.

In the circumstances, Management was in breach of the law.

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135. Unsupported Pending Bills

The financial statement reflects other disclosures, pending accounts and staff payable balance of Kshs.28,193,404 and Kshs.6,224,128, respectively and as detailed in Annex 1 and 2 to the financial statements. However, Management did not provide for audit, adequate supporting documents for bills totalling to Kshs.34,417,532.

Failure to settle bills in the year for which they relate will adversely affect the implementation of the subsequent year's budgeted programs as the pending bills form a first charge to that year's budget provision.

136. Failure to Publish and Publicize Awarded Tender

During the year under review, the County Assembly procured works, goods and services. However, no evidence was presented to confirm tenders awarded were publicized on the County's websites, public notice boards or the Public Procurement Regulatory Authority platforms as required by the Executive Order No.2 of 2018 on procurement which states that all public procurement entities shall maintain and continuously update and publicize complete information of all the tenders awarded.

In the circumstances, Management was in breach of the law.

137. Failure to Prepare Quarterly Cash Flow Projections

As reported in the previous year, there was no evidence provided for audit to confirm that the County Assembly prepared quarterly cash flows projection that were supported with approved procurement plan as required by Regulation 43(3)(4) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, Management was in breach of the law.

138. Late Disbursement of Funds

Note 1 to the financial statements reflects an amount of Kshs.429,024,953 in respect of transfers from the County Treasury which includes an amount of Kshs.55,534,432 transferred on 06 July, 2021 and 13 July, 2021, which contravenes Regulation 97(1)(4) of the Public Finance Management (County Governments) Regulations, 2015, which states that accounts of County Government entities shall record transactions which take place during a financial year running from the 01 July, to the 30 June, and actual cash transaction taking place after the 30 June, shall not, however, be treated as pertaining to the previous financial year even though the accounts for that year may be open.

In the circumstances, Management was in breach of the law.

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Basis for Conclusion

139. Lack of an approved Risk Management Policy

During the year under review the County Assembly did not have an approved risk management policy and did not carry out risk assessment on key risky areas contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, Management was in breach of the law.

140. Failure to Establishment an Audit Committee

Contrary to the requirement of Regulation 167(1) of Public Finance Management (County Governments) Regulations 2015, as at 30 June, 2021 County Assembly of Tharaka-Nithi had not established an audit committee.

In the circumstances, Management was in breach of the law.

141. Lack of ICT Policy

Review of the County Assembly's Information Communication Technology (ICT) environment revealed that there was no formal approved ICT policy in place during the year under review. The policy would have included data security, back up and retention strategy, and disaster recovery plans. In addition, the ICT organization structure was not provided for audit.

Further, the County Assembly did not have policies and procedures in place to cover environmental controls like; fire suppression systems, air conditioning systems (especially in computer room), humidity and temperature control systems.

In the circumstances, the security and reliability of the County Assembly's data including the Management Information System could not be confirmed.

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COUNTY ASSEMBLY OF EMBU – NO.14

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

142. Accuracy of the Financial Statements

142.1 Accuracy of Summary of Fixed Asset Register

The summary of fixed asset register at Annex 3 to the financial statements reflects assets balance of Kshs.160,521,968 as at 30 June, 2021. However, despite the County Assembly being in possession of the land and buildings where it is currently housed, no valuation has been carried out to determine their fair value.

The buildings and structures of Kshs.102,609,069 in the financial statements were not recorded in the fixed asset register. Further, ownership documents for the land owned by the Assembly were not provided for audit.

In addition, the assets handing over report from the defunct County Council of Embu was also not provided for audit.

In the circumstances, the accuracy of the summary statement of fixed asset balance of Kshs.160,521,968 as at 30 June, 2021 could not be confirmed.

142.2 Accuracy of Statement of Financial Assets and Liabilities

The statement of financial assets and liabilities and Note 8 to the financial statements reflects Kshs.2,005,725 in respect to both fund balance and refund of unspent balances comparative balances for year 2019/2020.However the audited financial statements for that year do not reflect the amounts.

In the circumstances, the accuracy and completeness of the statement of assets and liabilities comparative balances for the year 2019/2020 could not be confirmed.

142.3 Anomalies in Presentation of the Financial Statements

The County Assembly's financial statements for the year ended 30 June, 2021 provided for audit reflects the following anomalies;

i) The Public Sector Accounting Standards Board (PSASB) template issued in June, 2021 stipulates that the financial statements should include the progress on follow up of auditor recommendations showing the status of audit issues raised and the date when the issues are expected to be resolved. However, the progress on follow up of auditor recommendations included in the financial statements is blank.

ii) Annexes in respect to analysis of reconciliation reports have been omitted from the financial statements contrary to PSASB reporting template issued in June, 2021.

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Consequently, the financial statements for the year ended 30 June, 2021 are not consistent with the PSASB prescribed reporting format.

143. Unsupported Expenditure - Pending Accounts Payable

Disclosure 1 of other disclosures reflects Kshs.83,286,902 in respect to pending accounts payables as at 30 June, 2021 which were not settled during the year to which they relate which adversely affects service delivery. Further, supporting documents including payment vouchers, LPO and LSO in respect to pending bills totalling to Kshs.3,682,596 were not provided for audit.

Consequently, the accuracy and completeness of the pending accounts payables of Kshs.83,286,902 for the year ended 30 June, 2021 could not be confirmed.

144. Unsupported and Uneconomical Payments for Conference Facilities

As disclosed in Note 3 to the financial statements, the statement of receipts and payments reflects Kshs.303,378,634 in respect to use of goods and services which includes Kshs.11,577,944 in respect to hospitality, supplies and services out of which Kshs.4,730,529 was paid for conference facilities to various hotels in Mombasa and Nairobi.

However, the registration forms showing members checking in, their names and signatures and the number of days they were booked into the hotel were not provided for audit.

Further, the choice of procuring conference facilities far away from the duty station was uneconomical, and contrary to Section 12 of The National Treasury circular Number 20/2015 of 4 November, 2015 which stipulates that in order to curtail expenditure on workshops and retreats, accounting officers are required to ensure that all workshops and retreats with majority of participants drawn from one duty station are held within the precincts of the duty station and also contrary to Article 201(d) of the Constitution of Kenya 2010 which states that public money shall be used in a prudent and responsible way.

In the circumstances, the accuracy and propriety of expenditures of Kshs.4,730,529 for the year ended 30 June, 2021 could not be confirmed. In addition, the Management was in breach of the law.

Other Matter

145. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final receipts budget of Kshs.757,375,616, and an actual receipt of Kshs.635,637,207 respectively resulting to underfunding of Kshs.121,738,409 or 16% of the budget. Similarly, the County Assembly spent Kshs.635,637,207 against an approved budget of Kshs.737,375,616 resulting to an under-expenditure of Kshs.121,738,409 or 16% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

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REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

146. Late Submission of the Financial Statements

The financial statements for the year ended 30 June, 2021 were submitted to the Auditor-General on 22 October, 2021, approximately twenty two (22) days after the statutory deadline of 30 September, 2021 contrary to Section 47 (1) of the Public Audit Act, 2015 which stipulates that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate. However, Management did not give a valid reason for non-compliance with the law.

In the circumstances, Management was in breach of the law.

147. Failure to Comply with Fiscal Responsibility Principles on Wage Bill

As disclosed in Note 2 to the financial statements for the year ended 30 June, 2021, the statement of receipts and payments reflects Kshs.246,311,188 in respect to compensation of employees. However, total revenue received in the year was Kshs.635,757,625. Therefore, the total wage bill of the County Assembly was thirty-nine (39%) of the total revenue, contrary to Regulation 25 (1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which requires that wages and benefits for its public officers shall not exceed thirty-five (35) percent of total revenue.

In the circumstances, Management was in breach of the law.

148. Uninsured County Assembly Assets

Annex 3 of summary of fixed asset register reflects historical cost of assets of Kshs.160,521,968 as at 30 June, 2021 consisting of buildings and structures, transport equipment, office equipment, furniture and fittings, software and other ICT assets and other machinery and equipment.

However out of this amount, only transport equipment amounting to Kshs.20,209,000 were insured leaving a balance of Kshs.140,312,968 in respect to other assets not insured contrary to Section 160(1) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer of a procuring entity shall manage its inventory, assets and stores for the purpose of preventing wastage and loss and continuing utilization of supplies.

In the circumstances, Management was in breach of the law.

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149. Legal Services Obtained Through Single Sourcing

As disclosed in Note 3 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.301,973,484 in respect to use of goods and services which includes Kshs.100,541,275 in respect to other operating expenses. This expenditure includes Kshs.16,289,282 paid to a law firm for legal and advisory services sought from the Supreme Court following the impeachment of Embu County Governor by the Senate and subsequent petition in the High Court of Nairobi in 2015.

However, supporting documents provided for audit did not show how the firm was sourced or identified as there were no quotations floated, contrary to Section 91(1) of the Public Procurement and Asset Disposal Act, 2015 which states that open tendering shall be the preferred procurement method for procurement of goods, works and services.

In addition, although Management explained that there were framework contracts for legal services, the same was not provided for audit. Further, no quotations were raised from the prequalified list of seventeen (17) legal firms as required by law, which could have provided competition in bidding for the services and subsequently price determination.

In the circumstances, the propriety and value for money for the expenditure of Kshs.16,289,282 for the year ended 30 June, 2021 could not be confirmed.

150. Delayed Completion of Renovations of the County Assembly Chambers

As disclosed in Note 5 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.55,073,040 in respect to acquisition of assets which includes Kshs.5,458,890 for refurbishment of buildings paid as Certificate Number 1 to a contractor for the refurbishment of the County Assembly Chambers at a contract sum of Kshs.18,999,790. The contract was signed on 14 July, 2020 and the project duration was 12 weeks and therefore the completion date would have been 29 September, 2020. However, the contract was signed when the site was not available for immediate commencement of work, hence the duration of 12 weeks period from the date of signing the contract was not achievable.

Further, review of records provided including payment vouchers, bill of quantities and project implementation committee minutes revealed that the Project Manager and the Quantity Surveyor were appointed on 24 August, 2020, which was 41 days after signing of the contract. Also, the site was handed over to the contractor on 2 September, 2020 which was 49 days later.

In addition, the contract period has been extended three (3) times since the signing of the contract agreement. Review of the minutes from the project implementation committee and the various correspondence letters from the contractor revealed slow approvals by the Project Manager and public works further delaying the commencement and progress of the renovation of the chambers.

Further, interim certificate number 1 was paid after 109 days contrary to clause 23.3 which stipulates that after application and approval of the interim certificates, payment was to be made within 30 days.

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In addition, project verification done on 29 November, 2021 revealed that although significant work had been done, the public gallery was not complete. Management attributed the delay in completion of the renovations due to delayed completion of the leather seats by the prisons department, which was subcontracted to do the works, and the second lockdown in the prison facility (Kenya Prisons) due to COVID 19. However, since the lockdown was lifted, the seats ought to have been delivered. The project was to be completed by 11 February, 2022 contained in the third contract addendum on extension of construction time as the completion date of the project.

Consequently, the cost of the project may increase significantly due to delayed completion of the project and value for money on the project could not be confirmed.

151. Irregularities in Procurement of Insurance Services

As disclosed in Note 3 to the financial statements, the statement of receipts and payments reflects use of goods and services expenditure of Kshs.301,973,484 which includes Kshs.23,433,885 incurred on insurance costs out of which Kshs.21,815,139 was paid to three (3) insurance companies for provision of insurance services.

However, review of the evaluation committee report revealed that, at the technical evaluation stage, each bidder was awarded the same scores by each of the five (5) evaluation committee members casting doubt as to how five different scorers would end up with same scores.

In the circumstances, the competitiveness of the procurement process and value for money for the expenditure of Kshs.21,815,139 for the year ended 30 June, 2021 could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

152. Lack of Risk Management Policy and Internal Audit Charter

The County Assembly did not have a Risk Management Policy in place contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that the county government entity develops risk management strategies which include fraud prevention mechanisms and develops a system of risk management and internal control that builds robust business operations.

Further, the County Assembly had not established an Internal Audit Charter as at 30 June, 2021, as required by Regulation 155 (2)(b) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that an Accounting Officer shall ensure that the organizational structure of the internal audit unit facilitates internal auditor with sufficient authority to promote independence and to ensure broad internal audit coverage and adequate consideration of audit reports.

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In the circumstances, it has not been possible to confirm whether the County Assembly has capacity to manage risks in an effective way.

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COUNTY ASSEMBLY OF KITUI – NO.15

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

153. Difference Between Financial Statements and IFMIS Trial Balance

Review of the financial statements provided and balances obtained from Integrated Financial Management System (IFMIS) trial balance revealed discrepancies as shown in the table below:

Item Description	Financial Statements 30 June, 2021 (Kshs.)	IFMIS Trial Balance 30 June, 2021 (Kshs.)	Variance (Kshs.)
Transfers from the County Treasury/Exchequer Releases	791,841,400	3,235,320,712	(2,443,479,312)
Communication, Supplies and Services	10,326,493	10,140,493	186,000
Domestic Travel and Subsistence	147,743,904	147,587,704	154,200
Printing, Advertising and Information Supplies and Services	5,354,542	3,674,942	1,679,600
Training Expenses	8,737,920	8,129,500	608,420
Hospitality Supplies and Services	60,335,186	59,544,761	790,425
Other Operating Expenses	44,455,837	65,334,063	(20,878,226)
Routine Maintenance - Other Assets	1,143,480	1,127,080	16,400
Development Bank Account	0	11,454,607	(11,454,607)
Recurrent Bank Account	50,018	0	50,018
KCB-Operating Account	3,978,700	0	3,978,700
Cash in Hand - Domestic Currency	446	4,577,338,995	(4,577,338,549)

No reconciliation was provided between the two sets of records.

In the circumstances, the accuracy and completeness of the balances as reflected in the financial statements for the year ended 30 June, 2021 could not be confirmed.

154. Inaccurate Cash and Bank Balances

The statement of financial assets and liabilities and as disclosed in Note 13A and B to the financial statements reflects cash and equivalents balance of Kshs.4,029,164.

However, the following anomalies were noted;

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i. The Bank reconciliation statements for the operations account maintained at KCB revealed an adjusted cashbook balance as at 30 June, 2021 of Kshs.3,979,145 resulting in unexplained difference of Kshs.445.

ii. The Bank reconciliation for June, 2021 included as reconciling items receipts and payments for July, 2021 amounting to Kshs.9,975,078 and Kshs.4,747,435 respectively which are outside the reporting period implying that the balance is misstated by their net effect of Kshs.5,227,643.

iii. Bank reconciliation statements for the recurrent account at CBK reflects a balance of Kshs.50,018 as both balance in the bank statement and cashbook with no reconciling items. However, the bank certificate presented for audit reflected a balance of Kshs.86,693 as at 30 June, 2021 on the same account resulting in unexplained variance of Kshs.36,675.

Consequently, the accuracy and completeness of the cash and cash equivalents bank balance of Kshs.4,029,164 as at 30 June, 2021 could not be confirmed.

155. Misstatement in Exchequer Receipts

The statement of receipts and payments and as disclosed in Note 1 to the financial statements reflects an amount of Kshs.791,841,400 in respect of Exchequer Releases. However, included in this amount are receipts totalling Kshs.126,369,559 received in July, 2021 which do not relate to the year under audit.

In the circumstances, the Exchequer Releases for the year ended 30 June, 2021 are overstated in the financial statements by Kshs.126,369,559.

156. Unaccounted for and Undisclosed Fixed Assets

Annex 4 to financial statements reflects historical cost of assets balance carried forward of Kshs.627,012,836 which differs from the Kshs.545,022,232 confirmed from the fixed assets register resulting to a variance of Kshs.81,990,604. It was further noted that, the fixed assets register provided did not include some of the assets acquired during the year such as, ten (10) laptops acquired at Kshs.1,200,000, an office chair costing Kshs.28,800, a cabinet valued at Kshs.30,000, mobile phones worth Kshs.260,000, a network access point of Kshs.338,000 and camera matrix of Kshs.800,000. This implies that the fixed assets register is not properly updated and its cost value is understated by a total of Kshs.2,656,800.

In addition, the County Assembly's land was not included as part of the fixed assets in Annex 4. Further, Management did not present for audit the title deed for the land to ascertain its ownership.

Consequently, it was not possible to confirm the accuracy and completeness of the fixed assets reflected under Annex 4 and the ownership the land on which the County Assembly is built.

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Other Matter

157. Budgetary Control and Performance

The statement of comparison budget and actual amounts - recurrent and development combined reflects budgeted and actual receipts for the year of Kshs.881,002,159 and Kshs.791,841,400 respectively resulting to a variance of Kshs.89,160,759 or 10% of the budget. Similarly, the County Assembly expended Kshs.787,812,236 against an approved budget of Kshs.881,002,159 resulting to an under-expenditure of Kshs.93,189,923 or 11% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

158. Non-Compliance with the One Third of Basic Salary Rule

During the year ended 30 June, 2021, twenty-three (23) employees earned a net salary of less than a third (1/3) of the basic salary contrary to Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016.The Management has not given explanation for failure to comply with the policy. The County Assembly contravened Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016 as this may expose the staff to pecuniary embarrassment.

In the circumstances, the Management was in breach of the law.

159. Non-Compliance with Law on Ethnic Composition

During the year under review, the total number of employees was eighty-one (81) out of which seventy-seven (77) or 95 % of the total number were members of the dominant ethnic community in the county. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.

In the circumstances, Management was in breach of the law.

160. Irregular Expenditure on Staff in Acting Capacity

Review of June, 2021 payroll and human resource records revealed that, four (4) officers of the County Assembly had been holding positions in acting capacity and earning related allowances for periods exceeding six (6) months.

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This is contrary to provisions of paragraph 4.7.4 of the County Assembly's Human Resource Policies and Procedures Manual which stipulates that acting allowance will not be payable to an officer for more than six (6) months, and if need be, it must be procedurally renewed through County Assembly Service Board.

In the circumstances, Management was in breach of the law.

161. Irregular Engagement of Casual Workers

During the year under review, the County Assembly paid a total of Kshs.1,420,400 as casual wages as detailed in Appendix 2. However, it was noted that there were no formal requisitions from the concerned departments justifying the hiring of casual workers and therefore it was not possible to confirm if the hiring of casuals was based on existing needs. Further, one officer had worked as a casual worker for more than three (3) months which is beyond the time stipulated in Section 37 (b) of the Employment Act, 2007 which states that where a casual employee performs work which cannot reasonably be expected to be completed within a period, or a number of working days amounting in the aggregate to the equivalent of three months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly.

In the circumstances, Management was in breach of the law.

162. Failure to Prepare Training Needs Assessment and Training Plan

Note 5 to the financial statements reflects expenditure of Kshs.8,737,920 in respect of training. However, Management did not provide evidence to show that training need assessments and training plans were prepared as the basis for the expenditure.

In the circumstances, the regularity and value for money from the expenditure of Kshs.8,737,920 for the year ended 30 June, 2021 could not be confirmed.

163. Irregular Payment to the County Assembly Forum and Clerks Society

Note 5 to the financial statements on use of goods and services reflects an amount of Kshs.44,455,837 as other operating expenses which includes payments of Kshs.5,000,000 and Kshs.750,000 totalling Kshs.5,750,000 in respect of subscriptions paid to the County Assemblies Forum and Society of Clerks respectively. However, these entities are not established in law and the payments may have been done irregularly

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

164. Lack of Risk Management Policy

The County Assembly does not have in place a Risk Management Policy and there was also no evidence to show that formal risk assessment was undertaken. This is

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contravention of the provisions of Regulation 158(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to develop risk management strategies, which include fraud prevention mechanism and (b) develops a system of risk management and internal controls that build robust business operations.

In the circumstances, the County Assembly is exposed to losses and interruption of operations in the event a disaster occurs.

165. Lack of a Disaster Recovery and Business Continuity Plans

During the year under review, the County Assembly operated without Disaster Recovery and Business Continuity Plans contrary to the provisions of Section 99 of the Public Finance Management Act, 2012. The Act stipulates that the role of a Disaster Recovery Plan is to secure the County Government's ability to meet its obligations to provide basic services or its financial commitments, identify the financial problems and be designed to place the County Government in a sound and sustainable financial condition as quickly as possible.

In the circumstances, the County Assembly is exposed to interruption of operations and loss of critical information in case of a disaster.

166. Failure to Tag Fixed Assets

During the year under review, the County Assembly incurred a total of Kshs.21,581,499 on acquisition of assets. However, physical verification of selected office equipment and furniture revealed that no tagging or labelling was done on County Assembly's assets. This impacts negatively on the County Assembly's ability to manage and safeguard its assets.

Failure to tag assets exposes the County Assembly to possibility of loss of assets without detection.

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COUNTY ASSEMBLY OF MACHAKOS – NO.16

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

167. Variances in the Statement of Cash Flows and Bank and Cash Balances

The statement of cash flows reflects cash and cash equivalents at the end of the year amounting to Kshs.1,728. However, the statement of financial assets and liabilities reflects Kshs.23,061,321 in respect of bank and cash balances, as shown in Note 13A and 13B to the financial statements. The resultant difference of Kshs.23,059,593 between the two statements was not explained or reconciled.

Consequently, the accuracy of the statement of cash flows for the year ended 30 June, 2021 could not be confirmed.

168. Difference Between Financial Statements and Integrated Financial Management Information System (IFMIS) Ledger

The statement of receipts and payments reflects expenditure on use of goods and services and acquisition of assets amounting to Kshs.383,241,705 and Kshs.147,552,898 respectively. However, review of the amounts against the Integrated Financial Management Information System (IFMIS) ledger for the year under review revealed unexplained and unreconciled differences totalling to Kshs.38,718,095 as shown below**;**

Component	Financial Statement Balance (Kshs.)	IFMIS Balance (Kshs.)	Variance (Kshs.)
Use of Goods and Services	383,241,705	336,054,590	47,187,115
Acquisition of Assets	147,552,898	156,021,918	(8,469,020)
Total	**530,794,603**	**492,076,508**	**38,718,095**

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2021 could not be confirmed.

169. Unsupported Ward Office Rent and Expenses

The statement of receipts and payments for the year under review reflects use of goods and services expenditure amounting to Kshs.383,241,705. The expenditure, as further detailed in Note 5 to the financial statements includes Kshs.28,695,000 incurred on ward office rent and expenses during the year. However, the expenditure was not supported by relevant documents including schedules, expenditure analysis, motor vehicle work tickets, rental invoices, and petty cash surrender forms.

In the circumstances, the propriety of the ward office rent and expenses for the year amounting to Kshs.28,695,000 could not be confirmed.

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Other Matter

170. Budgetary Control and Performance

The statement of comparison of budget and actual amounts - recurrent and development combined reflects final receipts budget and actual on comparable basis of amounting to Kshs.1,126,922,537 and Kshs.1,019,710,816 respectively resulting to an under-funding of Kshs.107,211,721 or 10% of the approved budget. Similarly, the County Assembly expended Kshs.1,019,709,088 against an approved budget of Kshs.1,126,922,537 resulting to an under-expenditure of Kshs.107,213,449 or 10% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

171. Pending Bills

Note 1 of other disclosures to the financial statements reflect Nil balance in respect of pending accounts payable. However, annex 1 to the financial statements containing an analysis of pending accounts payables which indicates that the County Assembly had pending bills amounting to Kshs.107,771,910 which included bills amounting to Kshs.69,525,679 carried forward from 2019/2020 financial year. Management did not explain why the bills were not settled during the year when they occurred or paid as a first charge during the year under review. The County Assembly is at risk of incurring significant interest costs and penalties with their continued delay in settling suppliers and contractors' invoices.

Failure to settle bills during the year to which they relate to distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

172. Non-Compliance with the One-Third of Basic Salary Rule

During the financial year ended 30 June, 2021, thirteen (13) employees earned a net salary of less than a third (1/3) of the basic salary. This is contrary to Section 19 (3) of the Employment Act, 2007 and the County Assembly Human Resource Manual, 2015 which may expose the staff to pecuniary embarrassment.

In the circumstances, the Management was in breach of the law.

173. Irregular Inter-Entity Borrowing

Note 3 to the financial statements reflects other receipts totalling Kshs.4,500,000. The receipts relate to funds borrowed from the Housing Fund Account at KCB Bank by the County Assembly over the years. However, Inter-entity borrowing was prohibited

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according to Regulation 71 (4) of the Public Finance Management (County Governments) Regulations, 2015 which provides that a county government entity is not allowed to give a county government entity cash donations to augment the budgetary resources of designated departments.

In the circumstances, the Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

174. There were no material issues relating to effectiveness of internal controls, risk management and governance.

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COUNTY ASSEMBLY OF MAKUENI – NO.17

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

175. Insufficient support on Oversight/Public Participation Expenses

As disclosed in Note 5 to the financial statements, the statement of receipts and payments for the year ended 30 June, 2021 reflects a balance an amount of Kshs.311,731,087 in respect to use of goods and services. Included in this amount is Kshs.124,276,136 for operating expenses which further includes Kshs.34,753,000 and Kshs.20,455,700 incurred on oversight and public participation activities respectively both totalling Kshs.55,208,700. However, review of records relating to oversight and public participation activities revealed that the Payment vouchers provided were insufficiently supported. Discrepancies and casting errors were observed between amounts in the payment vouchers, expenditure analysis and actual transfers to banks.

Some Members of County Assembly (MCAs) and the accompanying secretariat staff were paid per diems for activities undertaken within the County where they qualified for meal allowances. Some MCAs were paid each Kshs.50,000 as facilitation for public participation for every oversight activity undertaken. However, no guideline or regulations were provided to account for the float. Each participating MCA was paid a transport facilitation of Kshs.6,000 per day regardless of the distance travelled. In addition, facilitation fee of between Kshs.100,000 and Kshs,300,000 was paid out for each event with no guidance on how to account for the funds. Further, the County Assembly engaged in an oversight activity on Covid-19 pandemic from 12 to 13 January, 2021 and incurred an expenditure of Kshs.3,432,200 and an additional Kshs.3,578,400 on report writing session held in Nairobi. However, no documents were provided to support this expenditure.

In the circumstances, the completeness and accuracy of Kshs.55,208,700 incurred in respect of oversight and public participation activities could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

176. Contract For Integrated Hansard System in the New County Assembly Chamber

As disclosed in Note 10 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.101,829,003 in respect of acquisition of assets. Included in this amount is Kshs.46,329,950 paid for supply, delivery, installation, testing, commissioning and maintenance of an Integrated Hansard equipment in the County Assembly Chamber. The contract agreement for this project was signed on 22 June, 2020

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at a tender sum of Kshs.47,230,350 and for a period of 21 weeks. However, the contractor requested and was granted a 20 weeks extension of time, revising the completion date to 23 February, 2021. However, review and inspection of the project records revealed the following anomalies:

176.1 Failure to Hand Over and Commission the Project

Physical inspection of the project in March, 2022 revealed that the Hansard equipment had been installed and was in use. However, no evidence of final inspection and acceptance of the work was provided for review neither was handing over records provided to confirm that the Project had been formally commissioned and handed over to the Management of the County Assembly of Makueni.

176.2 Unexplained Omission and Variation in Awarded Bill of Quantities

Review of the Bills of Quantities against actual deliveries revealed some unexplained omissions and variations. Preliminaries component included a provision of Kshs.500,000 for project management team facilitation. However, no evidence was provided for payment of such allowances. In addition, a Kshs.1,500,000 provision was included in the BQs for project management team factory site training and visit but no evidence was provided to confirm such activity took place. Included in the preliminaries BQs was a contingency of Kshs.3,000,000 for which no supporting documents was provided. Item 4.6 in the bill of quantities reflects 2 No. time and attendance Biometric Terminals out of which only one was installed. No explanation was provided for failure to install the second one. Further, even the one installed had not been put to use by the time of the audit. Item No.5.4, on fire fighting and suppression equipment provided for 5No. 5kg CO_2 alloy steel extinguishers, 5No. 6kg chemical fire extinguishers, 5 No. fire extinguisher balls and 1 server room air conditioner.

However, verification revealed that the contractor supplied 8No. 5kg CO_2 alloy steel extinguishers, and 7No. 6kg chemical fire extinguishers thus exceeded the quantity in the bill of quantities. In addition, the supplied fire extinguishers had not been installed despite the contractor having been fully paid for the same. Further, the fire suppression system valued at Kshs.800,000 was neither supplied nor paid for. In spite of the omission and variations in the awarded bill of quantities, the contractor has been paid a total of Kshs.45,934,850 out of the Kshs.47,230,350 contract sum implying that Kshs.1,295,500 was outstanding.

In the circumstances, it has not been possible to confirm if the implementation of the project for supply, installation and maintenance of Hansard equipment was done effectively and in compliance with the terms of the contract agreement and whether value for money has been realized from the expenditure incurred.

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REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

177. Irregularities in Operations of the County Assembly Cafeteria

The County Assembly operates a staff cafeteria which was opened in March, 2021. Review of sales records showed that a total of Kshs.365,360 was realized from the cafeteria between March and June, 2021 which was not disclosed as part of the revenue for the year ended 30 June, 2021. Further review of the operations of the cafeteria revealed that the County Assembly of Makueni did not maintain a bank account for the cafeteria and no documentary evidence was provided to confirm cash realized from sales was banked. It was also observed that customer payments vide MPESA were effected through a personal mobile line and later transferred to the accountant therefore exposing the transactions to accountability risk. Procured food items for the Cafeteria were paid for from the daily collections and there was no evidence to show that the procurement process applied was within the law. Further, no stock record was provided to ascertain daily usage of purchased foodstuff items against the stock balances.

In view of the foregoing, there are weak internal controls in the running of the cafeteria which may lead to misallocation and loss of revenue.

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COUNTY ASSEMBLY OF NYANDARUA – NO.18

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

178. Inaccuracies in Financial Statements

The annual reports and financial statements as prepared and presented for audit had the following inaccuracies: -

178.1 Statement of Receipt and Payments

As disclosed in Note 6 to the financial statements, the statement of receipts and payments reflects Kshs.55,298,323 in respect to acquisition of assets whereas Annex 3 to the financial statements on summary of fixed assets register reflects Kshs.55,926,545 in respect to additions during the year resulting to unreconciled balance of Kshs.628,222.

178.2 Statement of Financial Assets and Liabilities

The statement of financial assets and liabilities reflects Kshs.13,362,193 in respect to surplus for the year whereas the statement of receipts and payments reflects a surplus of Kshs.15,873,556 resulting to unexplained variance of Kshs.2,511,363.

Similarly, the statement of financial assets and liabilities reflects Kshs.37,859,933 in respect to comparative total financial assets which differs with the computed balance of Kshs.39,569,513 resulting to a variance of Kshs.1,709,580.

Further, the statement of financial assets and liabilities reflects Kshs.12,377,207 in respect to accounts receivable-outstanding imprests which is at variance with Kshs.12,386,776 reflected in Annex 2 to the financial statements resulting to unreconciled variance of Kshs.9,569.

In addition, prior year balance of Kshs.854,790 reflected in the statement of financial assets and liabilities differs with a balance of Kshs.9,133,160.35 reflected in Annex 2 to the financial statements resulting to unexplained variance of Kshs.8,278,370.

178.3 Variances in Statement of Cash Flows

The statement of cash flows reflects Kshs.12,377,207 in respect to decrease in accounts receivable which differs with the recomputed balance of Kshs.11,522,417 resulting to unreconciled variance of Kshs.854,790.

Similarly, the statement of cash flows reflects comparative net cash flows from the operating activities balance of Kshs.179,829,594 which differs with the recomputed balance of Kshs.181,538,174 resulting to unreconciled variance of Kshs.1,709,580.

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Consequently, the annual reports and financial statements for the year ended 30 June, 2021, as presented for audit, are inaccurate and do not conform to International Public Sector Accounting Standards disclosure requirements and the Public Sector Accounting Standards Board reporting template.

179. Variance between Financial Statements and Integrated Financial Management Information System (IFMIS)

A review of the financial statements revealed variances between the balances reflected in financial statements and the Integrated Financial Management Information System (IFMIS) trial balance as detailed below: -

Description	Note	Financial Statements (Kshs.)	IFMIS Trial Balance (Kshs.)	Variance (Kshs.)
Communication, Supplies and Services	3	8,515,200	8,799,804	(284,604)
Domestic Travel and Subsistence	3	105,046,560	105,346,560	(300,000)
Printing, Advertising & Information Supplies Services	3	9,345,816	9,545,816	(200,000)
Training expenses	3	17,796,219	18,096,219	(300,000)
Hospitality Supplies and Services	3	50,793,435	51,926,723	(1,133,288)
Other Operating Expenses	3	13,962,428	11,492,785	2,469,646
Routine Maintenance – Vehicles and Other Transport Equipment	3	4,668,200	4,748,200	(80,000)
Routine Maintenance – Other Assets	3	4,958,243	5,127,994	(169,751)

In the circumstances, the completeness and accuracy of balances reflected in the financial statements for the year ended 30 June, 2021 could not be confirmed.

180. Backdated Transfers from County Treasury

The statement of receipts and payments reflects Kshs.719,481,914 in respect to transfers from the County Treasury/exchequer releases for the year ended 30 June, 2021. However, included in the balance are recurrent and development receipts of Kshs.6,970,666 and Kshs.17,522,152 respectively totalling Kshs.24,492,818 that were received after financial year cut-off date of 30 June, 2021.

Consequently, the accuracy and completeness of the transfers from County Treasury/exchequer releases balance of Kshs.719,481,914 could not be confirmed.

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181. Unsupported Compensation of Employees

As disclosed in Note 2 to the financial statements, the statement of receipt and payments reflects Kshs.318,907,560 in respect to compensation of employees which includes Kshs.102,127,340 in respect to personal allowances paid as part of salary. However, the latter balance incudes Kshs.39,395,265 incurred on sitting allowance for members of the County Assembly that differs with actual members sitting allowance statements amount of Kshs.32,559,800 resulting to unreconciled variance of Kshs.6,835,465.

Consequently, the accuracy and completeness of the compensation of employees balance of Kshs.318,907,560 could not be confirmed.

182. Unsupported Domestic Travel and Subsistence

As disclosed in Note 3 to the financial statements, the statement of receipt and payments reflects Kshs.268,570,720 in respect to use of goods and services which includes Kshs.105,046,560 in respect to domestic travel and subsistence allowances. However, the balance includes Kshs.65,802,105 paid through banks, individuals and saccos that was not supported by way of name of payee, personal number, amount paid and imprest warrant number.

Consequently, the propriety, accuracy and completeness of the domestic travel and subsistence balance of Kshs.105,046,560 for the year ended 30 June, 2021 could not be confirmed.

183. Unsupported Hospitality Supplies and Services

Note 3 to the financial statements reflects Kshs.268,570,720 in respect to use of goods and services which includes Kshs.50,793,435 in respect to hospitality supplies and services. However, the amount includes Kshs.20,136,442 in respect to staff allowances that has not been supported by way of staff names, imprest surrender vouchers, attendance lists and activity programmes.

Consequently, the accuracy and completeness of the hospitality supplies and services balance of Kshs.50,793,435 for the year ended 30 June, 2021 could not be confirmed.

184. Transfers to Other Government Entities

The statement of receipts and payments reflects Kshs.39,000,000 in respect to transfer to other government entities for the year ended 30 June, 2021. However, the amount differs with the actual bank payments of Kshs.24,000,000 resulting to unexplained variance of Kshs.15,000,000.

In the circumstances, the accuracy and completeness of the transfers to other government entities balance of Kshs.39,000,000 for the year ended 30 June, 2021 could not be confirmed.

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185. Unsupported Social Security Benefits

The statement of receipts and payments reflects social security benefits balance of Kshs.21,831,755 for the year ended 30 June, 2021. However, the amount was not supported by way of names of staff or MCAs, personal numbers, amounts paid, custodian of the benefits, payment vouchers and bank statement extracts.

Consequently, the accuracy and completeness of the social security benefits amount of Kshs.21,831,755 could not be confirmed.

186. Acquisition of Assets

186.1 Variances in Construction of Buildings

As disclosed in Note 6 to the financial statements, the statement of receipts and payments reflects Kshs.55,298,323 in respect to acquisition of assets. However, the amount includes Kshs.48,653,324 in respect to construction of buildings that differs with actual payments of Kshs.47,519,921 resulting to unreconciled variance of Kshs.1,133,403. Further, the amount of Kshs.47,519,921 also differs with the additions for the year of Kshs.47,649,921 reflected in Annex 3 to the financial statements on summary of fixed asset register resulting to unreconciled variance of Kshs.130,000. In addition, ownership documents for the parcels of land on which the buildings are constructed were not provided for audit.

In the circumstances, the accuracy and completeness of the construction of buildings amount of Kshs.48,298,323 for the year ended 30 June, 2021 could not be confirmed.

186.2 Unsupported Purchase of Office Furniture and Equipment

Note 6 to the financial statements reflects Kshs.3,224,999 and Kshs.3,420,000 in respect to purchase of office furniture and equipment and purchase of ICT respectively. However, Annex 3 to the financial statements on summary of fixed assets register reflects Kshs.143,000 and Kshs.4,056,424 in respect to office equipment, furniture and filling and ICT equipment resulting to unreconciled variances of Kshs.3,081,999 and Kshs.636,424 respectively. Further, description of assets, serial number, quantities, valuation and location of use of the office furniture, equipment and ICT procured were not provided for audit.

Consequently, the accuracy and completeness of the purchase of office furniture and equipment amount of Kshs.3,224,999 and purchase of ICT balance of Kshs.3,420,000 for the year ended 30 June, 2021 could not be confirmed.

186.3 Unsupported Acquisition of Intangible Asset

Note 6 to the financial statements reflects Nil balance in respect to acquisition of intangible assets. However, Annex 3 to the financial statements on summary statement of fixed asset register reflects a corresponding balance of Kshs.4,077,200 resulting to unreconciled variance of Kshs.4,077,200. Further, the balance was not supported by way

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of contract documents, modules installed, completion report and inspection and acceptance committee certificate.

In the circumstances, the accuracy and completeness of the acquisition of intangible assets Nil balance for the year ended 30 June, 2021 could not be confirmed.

187. Unsupported and variances in Cash and Bank Balance

The statement of financial assets and liabilities reflects Kshs.47,080,504 in respect to bank balance as at 30 June, 2021. However, the balance differs with the certificate of bank balance amount of Kshs.1,406,450 resulting to unexplained variance of Kshs.45,674,054. Further, the corresponding bank reconciliation statement was not provided for audit review.

Consequently, the accuracy and completeness of the cash and bank balance of Kshs.47,080,504 as at 30 June, 2021 could not be confirmed.

188. Unsupported Accounts Receivables

The statement of financial assets and liabilities reflects Kshs.12,377,207 in respect to accounts receivable - outstanding imprests as at 30 June, 2021. However, the balance was not supported by way of imprests warrants, imprest register and detailed schedule showing opening balance, additions for year and payments to arrive at the closing balance.

Consequently, the accuracy and completeness of the accounts receivable – outstanding imprests balance of Kshs.12,377,207 as at 30 June, 2021 could not be confirmed.

189. Variances in Accounts Payable

The statement of financial assets and liabilities reflects Kshs.43,584,155 in respect to accounts payable – deposits and retentions as at 30 June, 2021. However, the certificate of bank balance in support of the amount reflects a balance of Kshs.6,882,555 resulting to unreconciled variance of Kshs.36,701,600. In addition, the balance was not supported by a detailed schedule showing opening balance, additions for year and payments to arrive at the closing balance.

Consequently, the accuracy, completeness and existence of the accounts payable balance of Kshs.43,584,155 as at 30 June, 2021 could not be confirmed.

190. Unreconciled Prior Year Adjustment

The statement of financial assets and liabilities as at 30 June, 2021 reflects Kshs.(854,790) in respect to prior year adjustment which differs with the corresponding balance of Kshs.(3,496,349) reflected in Note 11 to the financial statements resulting to unreconciled difference of Kshs.2,641,559.

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In the circumstances, the accuracy and completeness of the prior year adjustment balance of Kshs.(854,790) for the year ended 30 June, 2021 could not be confirmed.

191. Pending Accounts Payables

Note 7.10 to the financial statements reflects Kshs.25,942,317 and Kshs.12,386,776 in respect to pending accounts and staff payables as at 30 June, 2021 respectively. However, Kshs.25,942,317 in respect to supplies of goods and services has not been supported by way of tender registers, vote book, opening balance, additions for the year and payments to arrive at the closing balance.

Further, staff payables balance of Kshs.12,386,776 was not supported by way of a payroll, vote book, opening balance, additions for the year and payments to arrive at the closing balance.

Consequently, the accuracy and completeness of the pending bills balance of Kshs.38,329,093 as at 30 June, 2021 could not be confirmed.

192. Unauthorized Expenditure

The statements of receipts and payments reflects total payments of Kshs.703,608,358. However, the amount includes payments totalling to Kshs.257,376,408 comprising of Kshs.237,326,002 and Kshs.20,050,406 recurrent expenditure and development expenditure respectively, incurred during the period between 01 March, 2021 to 30 June, 2021 authorized by an Accounting Officer who was irregularly appointed by the Board and is subject to a pending court case.

Consequently, the propriety of the payments amounting to Kshs.257,376,408 for the year ended 30 June, 2021 could not be confirmed.

193. Use of Public Funds on Refurbishment of Private Properties

The statement of financial assets and liabilities reflects Kshs.12,377,207 in respect to accounts receivables which relates to outstanding imprests as at 30 June, 2021. However, the balance includes Kshs.4,320,000 being Kshs.240,000 issued to each of the eighteen (18) MCAs for refurbishment of their respective private ward offices that were not supported by a report from Public Works Department showing the nature and extent of repairs or lease agreement authorizing such repairs.

Further, each MCA was irregularly paid additional imprests of Kshs.120,000 all totalling to Kshs.2,160,000 to undertake social responsibility activities on effects of Covid-19 in their respective jurisdictions which however, is a function of the County Executive.

Consequently, the propriety of the Kshs.6,480,000 imprest expenditure for the year ended 30 June, 2021 could not be confirmed.

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194. Lack of Land Ownership Documentation

Annex 3 to the financial statements on summary of fixed assets register reflects Kshs.10,000,000 in respect to historical cost of land which was not supported by way of land ownership documentations and acreage size.

Consequently, the ownership of the land valued at Kshs.10,000,000 as at 30 June, 2021 could not be confirmed.

Emphasis of Matter

195. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.725,000,000 and Kshs.719,481,914 respectively resulting to an under-funding of Kshs.5,518,086 or 1% of the budget. Similarly, the County Assembly expended Kshs.703,608,358 against an approved budget of Kshs.725,000,000 resulting to an under - expenditure of Kshs.21,391,642 or 3% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

196. Late Submission of Financial Statements

The Accounting Officer submitted the financial statements for audit on 23 November, 2021 in breach of Section 81(4) of the Public Finance Management Act, 2012 that requires financial statements to be submitted to the Auditor-General not later than three months after the end of each financial year.

In the circumstances, Management was in breach of the law.

197. Delay in Appointment of the Clerk to the County Assembly

As previously reported, the County Assembly Service Board (CASB) removed the Clerk to the County Assembly in 01 December, 2018 and appointed his Deputy to act as the Clerk and Secretary to the Board with effect from 01 January, 2019. The removal was contested and the matter is still pending in a court of law for determination challenging the acting appointment. The Deputy continue to be in acting capacity for over 36 months which exceeds the six (6) months stipulated under the Human Resource Manual, 2016 and is also in contempt of Court.

In the circumstances, Management was in breach of the policy.

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198. Delayed Construction of Office Block

The County Assembly contracted a construction company to construct an office block on 17 October, 2017 through tender No.NCA/T/01/2017-2018 at a total cost of Kshs.442,216,470 for a period of 78 weeks. As at 30 June, 2021, works valued at Kshs.404,824,539 had been certified and paid leaving an outstanding balance of Kshs.37,391,931. Although the completion period was extended by twenty-two (22) weeks to end on 17 September, 2019, the building was incomplete as at the date of audit in December 2021.

In the circumstances, Management has failed to provide a conducive working environment for its staff and members of the County Assembly thereby negatively affecting service delivery to the public.

199. Irregular Expenditure on Subscriptions to Professional Bodies

As disclosed in Note 3 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.268,570,720 in respect to use of goods and services which includes Kshs.13,962,428 for other operating expenses. The latter balance includes Kshs.3,000,000 made up of Kshs.500,000 and Kshs.2,500,000 paid to Society of Clerks-at-the-Table in Kenya Legislatures (SOCATT) and paid to County Assembles Forum (CAF) as annual subscription fees respectively.

Although the expenditure was budgeted for, there is no existing law or policy in place authorizing the payments of subscription fees and no verifiable document was presented for audit to support the two organizations Constitutional mandates.

In the circumstances, Management was in breach of the law.

200. Unapproved Legal Expenses

Note 3 to the financial statements reflects other operating expenditure amount of Kshs.13,962,428 for the year ended 30 June, 2021 out of which Kshs.3,000,000 was incurred on legal costs without the approval of the Assembly Clerk. Further, the nature and contingent liability that may arise from pending litigations have not been disclosed in the notes to the financial statements.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

201. There were no material issues relating to effectiveness of internal controls, risk management and governance.

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COUNTY ASSEMBLY OF NYERI – NO.19

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

202. Ward Administration Expenses

The statement of receipts and payments reflects use of goods and services amount of Kshs.393,971,037 for the year ended 30 June, 2021 and as disclosed under Note 5 to the financial statements. Included in this amount is Kshs.54,408,441 in respect of other operating expenses out of which Kshs.26,164,623 was spent on ward administration expenses. A review of payment records revealed that the County Assembly spent Kshs.58,000 on operations costs per ward per month instead of Kshs.35,500. This resulted to an over expenditure of Kshs.22,500 per month or Kshs.270,000 per year per ward thus translating to a total over expenditure of Kshs.12,150,000 for the forty-five (45) wards. This is contrary to the Commission of Revenue Allocation circular No.CSO/CMG/9/VOL.V(43) of June, 2018 which set the total ward costs at Kshs.118,333 per ward per month, and operation cost at 30% or Kshs.35,500.

In the circumstances, the propriety of excess expenditure of Kshs.12,150,000 on ward administration expenses for the year ended 30 June, 2021 could not be confirmed.

Other Matter

203. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined for the year ended 30 June, 2021 reflects final receipts budget and actual on comparable basis totalling Kshs.756,085,232 and Kshs.701,736,261 respectively, resulting to an under-funding of Kshs.54,348,971 or 7% of the budget. Similarly, the County Assembly spent Kshs.701,734,865 against an approved budget of Kshs.756,085,232 resulting to an under-expenditure of Kshs.54,350,367 or 7% of the budget. The underfunding and underperformance constrained execution of planned activities and delivery of services to the public.

It was further noted that quarter four allocation amounting to Kshs.104,628,500 was received after the end of financial year on 16 July, 2021 as a result of delayed disbursement by The National Treasury. There is need for The National Treasury to prioritize disbursement of funds to the County Governments in time for effective and efficient service delivery to the Citizens of the Counties.

204. Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any

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explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

205. Meetings and Retreats held Outside the Precincts of the County Assembly

The statement of receipts and payments reflects use of goods and services amount of Kshs.393,971,037 and as disclosed under Note 5 to the financial statements. Included in this amount is Kshs.166,158,805 for domestic travel and subsistence out of which Kshs.44,581,951 was spent in meetings and retreats held outside the precincts of the County Assembly. This is despite the Assembly having in place adequate facilities inhouse to hold such meetings. Further, approvals from the Speaker and reports of the deliberations were not provided for audit. This contravenes Section 165 of the County Assembly of Nyeri Standing Orders which states that a sitting of a committee shall be held at such a place, date and time as shall be determined by the chairperson or on a petition made by at least seven members of that committee but no meeting of a committee may be held outside the precincts of the Assembly without the approval of the speaker.

In the circumstances, the propriety and regularity of Kshs.44,581,951 expenditure on committee meetings held outside the precincts of the County Assembly for the year ended 30 June, 2021 could not be confirmed.

206. Subscription Fees to Society of Clerks-at-the-Table (SOCATT)

As pointed out in the previous year, the statement of receipts and payments reflects an expenditure of Kshs.393,971,037 under use of goods and services which, as disclosed under Note 5 to the financial statements includes an amount of Kshs.54,408,441 in respect of other operating expenses which in turn includes an amount of Kshs.750,000 in respect to subscription fees made to the Society of Clerks-at-the-Table (SOCATT). However, there is no law governing such subscriptions.

In the circumstances, the propriety of the expenditure of Kshs.750,000 on subscription fees to Society of Clerks-at-the-Table (SOCATT) could not be confirmed.

207. Non-Compliance with Ethnic Diversity

As previously reported, examination of human resource records revealed that the County Assembly had sixty-three (63) permanent employees out of which 92% were from the dominant ethnic community. Further, during the year under review, the County Assembly Service Board recruited twelve (12) staff members and all of them representing 100% were from same dominant ethnic Community in the County. This is contrary to Section 65(e) of the County Governments Act, 2012 which requires the County Governments to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.

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In the circumstances, Management was in breach of the law.

208. Non-Submission of the County Assembly Service Board Financial Statements

The County Management did not submit the financial statements of the County Assembly Service Board for the year to the Auditor General with copies to the County Treasury, Controller of Budget and Commission on Revenue Allocation. Further, the Management did not publish and publicize the financial statement as required by Section 32 of the County Assembly Services Act, 2017.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

209. Payment of Permanent Staff Outside IPPD Payroll

The County Assembly of Nyeri has an automated Integrated Payroll and Personnel Database (IPPD) system in place. However, the Assembly still uses an off-shelf payroll system for part of salary payments every month. Review of the monthly payrolls revealed that twelve (12) staffs had not been included in the database and were being paid salaries outside the IPPD payroll system. Explanation given by Management was that these were police officers engaged to offer security services to the assembly and thus they could not be included in the Integrated Payroll and Personal Data Base (IPPD). However, there is a risk of unauthorized payments as the off-shell payroll is not integrated and centrally managed and controlled in the public personnel database contrary to the National Treasury Circular No 9/2017 that requires personnel emolument to be supported by IPPD.

210. Assets not in Use

Included in acquisition of assets amount of Kshs.25,227,917 is a tagging machine and two (2) integrated reverse osmosis water dispensers costing Kshs.1,185,000 and Kshs.4,178,320 respectively. These items were received on 2 March, 2021 and 19 May, 2021 respectively. However, by the time of the audit exercise in October, 2021, the items had not been put to the intended use casting doubt on whether the expenditure was necessary.

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COUNTY ASSEMBLY OF KIRINYAGA – NO.20

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

211. Variances Between the Financial Statements and Integrated Financial Management Information System (IFMIS) Balances

The statement of receipts and payments for the year ended 30 June, 2021 reflects total payments of Kshs.838,684,352. However, a comparison with the ledger balances on the Integrated Financial Management System (IFMIS) records reflected total expenditures of Kshs.837,620,221 resulting to an un-explained variance of Kshs.1,064,131.

In the circumstance, the accuracy of total expenditure of Kshs.838,684,352 for the year ended 30 June, 2021 could not be confirmed.

212. Unsupported Expenditure on Fuel

The statement of financial performance and as disclosed in Note 5 to the financial statements reflects Kshs.268,832,730 in respect to use of goods and services. Included in this amount is Kshs.2,765,530 relating to fuel, oil and lubricants. However, it was observed that the fuel register did not indicate the fuel quantities procured hence was not possible to match the same with the payment vouchers.

In absence of proper fuel records, the accuracy and completeness of fuel, oil and lubricants of Kshs.2,765,530 could not be confirmed.

213. Incomplete Fixed Assets Register

Disclosed at Annex 4 to the financial statements is a summary of non-current asset register with a balance of Kshs.350,043,787 as at 30 June, 2021. However, the County Assembly's asset register was not complete and lacked information on assets value, date of acquisition, supplier, type of asset, location and the custodian.

In the circumstance, the completeness and accuracy of the reported non-current assets of Kshs.350,043,787 could not be confirmed.

Other Matter

214. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.1,098,254,050 and Kshs.838,685,823 respectively resulting into unrealized revenue collection amounting to Kshs.259,568,227 or 24% of the budget. Similarly, the County Assembly expended Kshs.838,684,352 against an approved budget of Kshs.1,098,254,050 resulting to under absorption of Kshs.259,569,698 or 24% of the budget.

The underfunding and underutilization of approved budget affects the planned activities and may have negatively impacted service delivery to the citizens.

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215. Delay in Projects Completion

The County Assembly awarded tenders to various contractors for various projects. However, it was observed that some of the projects delayed completion beyond the contract period and without evidence of approved variation of contract timeframe.

The delay in project completion beyond stipulated contract period may result in stalled projects, un-achievement of intended objectives and lack of value for money.

216. Long Outstanding Receivables

The statement of financial assets and liabilities and as disclosed under Note 14 to the financial statements reflects account receivables - amount retained by county treasury of Kshs.19,634,029. Included in this amount are account receivables of Kshs.6,057,397 which are long outstanding with some dating back from January, 2017 to June, 2020.

The realization of these long outstanding receivables is doubtful and the non-recovery may significantly affect effective service delivery.

217. Unresolved Prior Year Matters

In the audit report of the previous year, several issues 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 or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

218. Failure to Adhere to a Third Rule on Basic salary

Analysis of some sampled staff from the payroll revealed that thirty-six (36) employees were earning less than one third of their basic salaries in different months which amounted to Kshs.749,787. This is contrary to Section D.22 (2) of County Public Service Human Resource Manual that requires a public officer to retain a net salary of not less than 1/3 of his basic salary per month. It also contravenes Section 19(3) of the Employment Act, 2007 which requires that the total amount of all deductions made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

In the circumstances, Management was in breach of the law.

219. Failure to Observe Ethnic Diversity in Recruitment

As reported previously, review of personnel records indicated that the County Assembly had one hundred and three (103) employees as at 30 June, 2021. It was, however, noted

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that one hundred and two (102) members of staff which translates to 99.02% are from the dominant ethnic community in the County. This contravenes the provisions of Section 65(e) of the County Government Act, 2012 which requires County Governments to ensure that at least thirty (30) percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.

In the circumstances, Management was in breach of the law.

220. Non-submission of the County Assembly Service Board Financial Statements

The County Assembly Management did not submit the financial statements of the County Assembly Service Board for the year ended 30 June, 2021 to the Auditor-General with copies to the County Treasury, Controller of Budget and Commission on Revenue Allocation. Further, the Management did not publish and publicize the financial statements as required by Section 32 of the County Assembly Services Act, 2017.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

221. Lack of Risk Management Policy

The County Assembly of Kirinyaga did not have a risk management policy in place to guide the management on risk assessment and formulation of risk mitigation strategies. This is contrary to Section 158(1)(a) and (b) of the Public Finance Management Act (County Governments) Regulations, 2015 which requires the Accounting Officer to develop risk management strategies which include fraud prevention mechanism and internal control that builds robust business operations.

In the absence of a risk management policy, the County Assembly may not have a broad spectrum of its business risks and their impact on achievement of strategic goals resulting in ineffective strategic and operational planning.

222. Lack of a Disaster Recovery Plan/Business Continuity Plan

The County Assembly of Kirinyaga lacks a disaster recovery plan/business continuity plan contrary to Section 99 of the PFM Act, 2012 which stipulates the role of a disaster recovery plan is to secure the County Government's ability to meet its obligations to provide basic services or its financial commitments, identify the financial problems and be designed to place the county government in a sound and sustainable financial condition as quickly as possible to avoid the risk of data loss.

Without a disaster recovery plan, the County Assembly may not quickly recover in the event of a disaster that leads to system failure.

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COUNTY ASSEMBLY OF MURANG'A – NO.21

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

223. Variances Between the Financial Statements and Integrated Financial Management System (IFMIS) Report

The financial statements for the year ended 30 June, 2021 reflects various balances which are at variance with amounts shown in the IFMIS report as detailed below:

Item	Financial Statements Balance (Kshs.)	IFMIS Data Balance (Kshs.)	Variance (Kshs.)
Compensation of Employees	359,587,952	255,612,550	103,975,402
Use of Goods and Services	318,271,238	268,199,359	50,071,879
Social Security and Transfers	20,411,962	18,926,387	1,485,575
Acquisition of Assets	4,983,203	4,665,700	317,503
Total	**703,254,355**	**547,403,996**	**155,850,359**

No reconciliations or explanations was provided for the above variances.

In the circumstances, it was not possible to confirm the accuracy of the respective balances in the financial statements.

224. Unsupported Cash and Cash Equivalents

As disclosed under Note 13 A to the financial statements, the statement of financial assets and liabilities reflects bank balances of Kshs.1,374,779 as at 30 June, 2021. The balance consist of Kshs.139,971, Kshs.30 and Kshs.1,234,778 held at Central Bank of Kenya in respect to development, recurrent deposits accounts respectively. However, these balances were not supported with bank reconciliation statements for the month of June, 2021.

Consequently, the accuracy and validity of cash and cash equivalents balance of Kshs.1,374,779 as at 30 June, 2021 could not be confirmed.

225. Lack of Ownership of Motor Vehicles

The summary of Non-Current Assets Register under Annex 4 to the financial statements reflects historical cost of assets balance of Kshs.463,628,437 as at 30 June, 2021. This balance includes transport equipment balance of Kshs.51,040,241 which further includes value of four (4) motor vehicles totalling Kshs.28,600,242 registered in the name of Murang'a County Government. However, the ownership documents for the motor vehicle, with registration No.21CG090A were not provided for audit.

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Consequently, the ownership status of motor vehicles valued at Kshs.28,600,242 as at 30 June, 2021 could not be ascertained.

Other Matter

226. Budgetary Control and Performance

The statement of comparison of budget and actual amounts - recurrent and development combined for the year ended 30 June, 2021 reflects final receipts budget and actual on comparable basis totalling Kshs.835,143,240 and Kshs.730,399,997 respectively, resulting to an under-funding of Kshs.104,743,243 or 13% of the budget.

Similarly, the County Assembly spent Kshs.730,260,026 against an approved budget of Kshs.835,143,240 resulting to an under-expenditure of Kshs.104,883,214 or 13% of the budget.

The underfunding and underperformance adversely affected the execution of planned activities and delivery of services to the public.

227. Failure to Settle Accounts Payables/Pending Bills

Disclosed under Other Disclosures to the financial statements are pending bills totalling Kshs.18,188,947 comprising of pending accounts payable of Kshs.819,971, staff payables of Kshs.3,643,976 and amounts due to County Government entities of Kshs.13,725,000 which were not settled during the year under review but were carried forward to 2021/2022 financial year.

Failure to settle bills during the year to which they relate distorts the financial statements for that year and adversely affects the provisions for the subsequent year to which they have to be charged.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

228. Presentation and Disclosures of Financial Statements

Management has not disclosed in the financial statements, information on progress on follow up of auditor`s recommendations made on the audit for the previous year.

As a result, the annual reports and financial statements do not comply with the reporting guidelines prescribed by the Public Sector Accounting Standards Board (PSASB).

229. Failure to Observe 30% Rule on Staff Establishment

As reported in the previous year, review of personnel records revealed that as at 30 June, 2021 the County Assembly had a total of eighty-three (83) employees out of whom seventy-eight (78) or 94% were from the dominant ethnic community in the County. This is contrary to Section 65(e) of the County Governments Act, 2012 which states that, in selecting candidates for appointment, the County Public Service Board shall consider

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the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county for promotion of national unity.

In the circumstances, Management was in breach of the law.

230. Subscription Fees Paid without Guiding Policy

Expenditure records maintained by the County Assembly indicate that during the year under review, Management of the County Assembly paid Kshs.2,600,000 in subscription fees to the County Assemblies Forum (CAF) and Society of Clerks at the Table (SOCATT) and as previously reported, there is no legislation in place either at the National or County level to guide and regulate such subscriptions.

Under the circumstances, the propriety of the expenditure of Kshs.2,600,000 on subscriptions fees could not be confirmed.

231. Failure to Fully Implement E-procurement Processes

As previously reported, Executive Order No.6 of 2015 of 7 May, 2015 required all accounting units in national and county government to fully implement the end to end e-procurement processes within a period of two weeks from the date of the circular. Further, Executive Order No.2 of 2018 required that by the 1 of January, 2019, all public procuring entities to undertake all their procurements through the E-procurement module.

However, a review of County Assembly of Murang'a procurement process revealed that was manual. No satisfactory explanation was given for the failure to adhere to the presidential directives.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

232. Governance and Risk Management

As reported in the previous year, although the County Assembly had established an Internal Audit and Audit committee to improve governance and strengthening internal controls as stipulated under Section 155 of the Public Finance Management Act, 2012, a review of its functions and effectiveness revealed deficiencies. The Internal Audit function has only one staff. In addition, no reports of the internal audit were provided for audit.

In the absence of a functioning internal audit, monitoring and review of the effectiveness of the internal audit process, risk management systems and review of financial statements among other functions of the internal audit may have affected good governance at the County Assembly.

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COUNTY ASSEMBLY OF KIAMBU - NO.22

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

233. Unreconciled Cash and Cash Equivalents

The statement of financial assets and liabilities and as disclosed in Note 13A to the financial statements reflects cash and cash equivalents balance of Kshs.185 held in three bank accounts. However, the recurrent bank account cash book bank balance of Kshs.185 had not been reconciled with the bank balance of Kshs.18,057,979 as per the bank certificate. Further, the bank reconciliation statement in respect to the bank account held at Co-operative Bank of Kenya, whose cash book bank balance is reflected as Nil, was not provided for audit.

In the circumstance, the accuracy of cash and cash equivalents balance of Kshs.185 could not be confirmed.

234. Inaccuracies in Transfer to Other Government Entities

The statement of receipts and payments reflects Nil balance in respect to transfers to other government entities. However, the corresponding Note 7 to the financial statements indicate that Kshs.10,000,000 was transferred to Kiambu County Assembly Mortgage Fund. Likewise, the prior year amount is Nil while the corresponding Note reflects Kshs.50,000,000 resulting to unreconciled variances of Kshs.10,000,000 and Kshs.50,000,000 respectively.

Consequently, the accuracy of transfers to other Government entities could not be ascertained.

235. Non-disclosure of Sitting allowances

Annex 2 to the financial statements reflects an analysis of pending staff payables of Kshs.39,204,661. Included in this amount is Kshs.18,970,369 being payables to Members of the County Assembly. However, it was noted that an amount of Kshs.6,269,900 relating to arrears in respect of sitting allowances to Members of County Assembly for the month of June, 2021 has not been disclosed in the notes to the financial statements.

Consequently, the accuracy and completeness of pending accounts payables balance of Kshs.39,204,661 could not be confirmed.

236. Unsupported Expenditures – Use of Goods and Services

The statement of receipts and payments and as disclosed in Note 5 to the financial statement reflects payments in respect of use of goods and services amounting to Kshs.460,400,150. Review of the expenditure revealed unsupported payments totalling to Kshs.122,466,250 as detailed below: -

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a) Included in use of goods and services of Kshs.460,400,150 is Kshs.44,286,350 in respect of training expenses. However, training expenses of Kshs.20,021,700 had no supporting documentation including imprest warrants, registers and where applicable, the per diem schedules.

b) Documents provided for audit revealed that the Assembly paid Kshs.4,404,650 to a local company for consultancy and team building services but the payment records were not supported with lists of Members of County Assembly (MCAs) and staff members who participated in the team building activity, venue, acknowledgement from those who participated in the team building activity and proof that the company offered any training and consultancy services to the Assembly.

c) Note 5 to the financial statements reflects hospitality supplies and services payments amounting to Kshs.57,822,148. It was noted that a total of Kshs.4,542,500 paid for hotel conference facilities was not adequately supported. Further, included in the Kshs.4,542,500 is an amount of Kshs.2,278,500 paid to staff members accompanying MCA's for a consultative workshop, however, it was noted that on the same dates the staff were elsewhere attending a capacity building workshop. Consequently, the propriety of the expenditure could not be ascertained.

d) As reflected under Note 5 to the financial statements, Kshs.229,028,206 was incurred in respect of domestic travel and subsistence. However, payments amounting to Kshs.93,507,400, were not supported by imprest warrants with applicable and approved rates from the Salaries and Remuneration Commission (SRC).

Consequently, the accuracy and propriety of Kshs.122,466,250 incurred on use of goods and services for the year ended 30 June, 2021 could not be confirmed.

Other Matter

237. Budgetary Control and Performance

During the year under review, the Assembly had a total approved budget of Kshs.1,299,878,544 out of which Kshs.1,232,678,544 was in respect of the recurrent vote while the balance of Kshs.67,200,000 related to the development vote. The summary statement of appropriation recurrent and development combined provided reflects overall budgetary performance of Kshs.1,094,778,383 and hence under absorption of Kshs.205,100,161 or approximately 16%. No explanation was provided for the significant variance.

Under absorption of funds may have impacted negatively on service delivery to the public.

238. Pending Bills

As disclosed in Annexures 1 and 2, to the financial statements are pending bills of Kshs.149,266,094 as at 30 June, 2021, which were not settled in the year under review but were instead carried forward to financial 2021/2022.

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Delays to settle pending bills in the year affects the budgeted programmes and activities for the subsequent financial year and may attract interest and penalties.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

239. Other Grants and Transfers

The statement of receipts and payments and as disclosed in Note 8 to the financial statements reflects other grants and transfers amount of Kshs.9,700,000 paid in respect to membership fees, dues and subscriptions to organizations. Review of records d revealed that the amount was paid to County Assembly Forum which is not a legally constituted entity. No explanation was provided to justify the framework within which these payments were made.

In the circumstances, Management was in breach of the law.

240. Compensation of Employees

The statement of receipts and payments and as disclosed in Note 4 to the financial statements reflects total expenditure of Kshs.556,455,574 in respect to compensation of employees which is approximately 50.8% of the County Assembly total revenue of Kshs.1,094,778,568. The expenditure was in excess of the allowed thirty-five 35% threshold prescribed under Regulation 25(1) b of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstance, Management was in breach of the law.

241. Social Security Benefits

The statement of receipts and payments and as disclosed under Note 9 to the financial statements reflects social security benefits of Kshs.35,289,790. Included in this amount is Kshs.8,099,650 being MCA's Gratuity for the financial year 2019/2020. The amount was not supported with any documentary evidence of remittance to LAPFUND.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

242. Lack of Organizational Strategic, Disaster Recovery and IT Strategic Plans

The audit revealed that contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015, the Assembly did not have in place a current

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strategic plan, the most recent having expired in 2018. In addition, the County Assembly had not developed disaster recovery and IT strategic plans.

In the circumstances, the County Assembly strategic direction and preparedness for the disaster could not be confirmed.

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COUNTY ASSEMBLY OF TURKANA - NO.23

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

243. Variances Between the Financial Statements and the IFMIS Amounts

Analysis of the expenditure records on use of goods and services for the year under review revealed variances between IFMIS schedules and the financial statements totalling to Kshs.153,725,698 as detailed below:

Item-Details	Financial Statements (Kshs.)	IFMIS Schedules (Kshs.)	Variances (Kshs.)
Utilities, supplies and services	2,216,917	1,036,814	1,180,103
Communication, supplies and services	4,996,850	51,062,960	(46,066,110)
Domestic travel and subsistence	164,951,348	49,574,147	115,377,201
Foreign travel and subsistence	-	-	-
Printing, advertising and Information supplies and services	4,658,761	-	4,658,761
Rentals of produced assets	1,330,000	-	1,330,000
Training Expenses	1,740,000	-	1,740,000
Hospitality supplies and services	16,348,764	-	16,348,764
Insurance costs	34,984,016	33,802,182	1,181,834
Specialized materials and services	1,192,392	-	1,192,392
Office and general supplies and services	18,258,238	30,000	18,228,238
Fuel, oil and Lubricants	7,499,871	277,684	7,222,187
Other operating expenses	21,525,541	2,000,000	19,525,541
Routine maintenance-vehicles and other transport equipment	6,649,586	56,405	6,593,181
Routine maintenance- Other assets	5,435,906	222,300	5,213,606
Total	**291,788,190**	**138,062,492**	**153,725,698**

No satisfactory explanations or reconciliations was provided for the above variances.

Consequently, the accuracy and completeness of the respective amounts relating to use of goods and services could not be confirmed.

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244. Unsupported Bank Balances

As disclosed in Note 13A to the financial statements, the statement of financial assets and liabilities reflects a bank balance of Kshs.32,823,521 as at 30 June, 2021, held in four bank accounts operated and maintained by the County Assembly.

However, the IFMIS bank reconciliation statements as at 30 June, 2021 for the four (4) bank accounts were not attached as annexures to the financial statements contrary to the guidelines issued by the Public Sector Accounting Standards Board and communicated vide The National Treasury Circular No. AG. 4/16/3 Vol.1(9) of 24 June, 2020.

In the circumstances, the accuracy and completeness of the bank balance of Kshs.32,823,521 could not be confirmed.

245. Unsupported Assets

Annex 4 to the financial statements on summary of non-current assets register reflects a carried forward historical cost balance of Kshs.1,373,737,828 which includes land, buildings and structures, and transport equipment valued at Kshs.28,000,000, Kshs.623,858,876 and Kshs.76,689,551 respectively. However, title deeds, logbooks and other ownership documents were not provided for audit.

Consequently, the ownership and completeness of the non-current assets balance of Kshs.1,373,737,828 as at 30 June, 2021 could not be confirmed.

Other Matter

246. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final expenditure budget of Kshs.1,406,574,821 and actual expenditure of Kshs.1,211,989,371 resulting to an under-expenditure of Kshs.194,585,450 or 14%.

The under-expenditure is an indication that some planned activities and projects were not implemented which may have affected delivery of services to the public.

247. Anomalies in Pending Bills

According to Annex 1 to the financial statements, the County Assembly had pending bills amounting to Kshs.26,115,914 as at 30 June, 2021. However, the schedule presented for audit lacked information on the date the suppliers/ contractors were contracted, while the ageing analysis of pending bills was not provided for audit.

Consequently, the Management is in breach of the Treasury Circular No 10/2020 of 16 June, 2020 Ref DGIPE/A/80 which required Accounting Officers to ensure pending bills are treated as a first charge in 2020/2021 financial year approved budget.

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248. Implementation of Projects

248.1 Lack of a Project Status Report

A project implementation status report for the year under review was not provided for audit. It was not, therefore, possible to confirm how many projects were to be implemented by the County Assembly, how many were completed, ongoing and the stalled projects.

248.2 Projects Verification

As disclosed in Note 10 to the financial statements, the statement of receipts and payments for the year ended 30 June, 2021 reflects acquisition of assets amounting to Kshs.163,919,475 which includes Kshs.158,007,732 relating to construction of buildings. Physical inspection on the construction of the County Assembly chambers and cafeteria project at Kanamkemer/Takwel ward revealed that the project had not been completed and was still on-going. Payments made during the year amounted to Kshs.26,646,141.

Delay in timely implementation of projects may have denied the public services or benefits accruing from completed projects.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

249. Failure to Submit Accounts of the County Assembly Services Board

The Management did not prepare and submit the financial statements of the County Assembly Services Board to the office of the Auditor General contrary to Section 32(1) and 32(2) (a) of The County Assembly Services Act, 2017.

In the circumstances, Management was in breach of the law.

250. Over Expenditure on Wage Bill

The statement of receipts and payments reflects an expenditure of Kshs.539,417,527 in respect of compensation of employees which represents 44% of the total receipts of Kshs.1,219,159,744. This is contrary to the provisions of Regulation 25(i)(a) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the expenditure on wages and benefits should not exceed 35% of the total revenue.

In the circumstances, Management was in breach of the law.

251. Employment of Persons with Disabilities

During the year under review, the County Assembly of Turkana had one hundred and twenty-six (126) employees out of which only 2% were persons with disabilities. This was contrary to Section 12(1) of the County Assembly Human Resource Manual, 2018 which

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states that the County Government shall promote equality of opportunity in employment and will not discriminate directly or indirectly against an employee on the ground of race, color, sex, language, religion, disability, pregnancy, mental status, and in respect of recruitment, training, promotion, terms and conditions of employment or any matters arising out of employment.

In the circumstances, Management was in breach of the law.

252. Overpayment of Mileage Allowances to the Nominated Members

During the year under review, seventeen (17) nominated Members of County Assembly of Turkana were paid mileage allowances in arrears amounting to Kshs.20,788,458, computed from 6 September, 2017 to 19 May, 2021. This is contrary to the advisory of the Salaries and Remuneration Commission (SRC) communicated through circular Ref.CAT/SRC/Vol.4 (01-2020) dated 23 October, 2020 which authorized mileage allowances to be paid from 21 August, 2019 with no arrears or backdating.

In the circumstances, Management was in breach of the law.

253. Non - Compliance with the Law on Ethnicity

Review of the payroll for the year ended 30 June, 2021 revealed that the County Assembly had a staff establishment of one hundred and twenty-six (126) employees, out of which one hundred and twenty (120) or 95% of the total number were members from the dominant ethnic community in the County. Further, review of records indicated that during the year under review, the County Assembly Service Board recruited nine (9) new officers on contract all of whom were from the same ethnic community. This is contrary to Section 7(1) and (2) of the National Cohesion and Integrity Act, 2008 which states that all public officers shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.

In the circumstances, Management was in breach of the law.

254. Account Receivables – Long Overdue Imprests

The statement of financial assets and liabilities reflects account receivables – outstanding imprests balance of Kshs.6,750,500 as at 30 June, 2021 as disclosed in Note 14 to the financial statements. Review of records revealed that the balances includes an amount of Kshs.6,750,500 held by various officers which ought to have been surrendered by 30 June, 2021 contrary to Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that a holder of a temporary imprest shall account or surrender the imprest within seven working days after returning to duty station.

In the circumstances, Management was in breach of the law.

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Basis for Conclusion

255. Lack of an Independent Internal Audit Function

During the year under review, the internal audit department was reporting both functionally and administratively to the accounting officer as there was no audit committee in place.

This is contrary to Regulation155(1) Public Finance Management (County Governments) Regulation 2015 which provides that the head of internal audit unit in a county government entity shall enjoy operational independence through the reporting structure by reporting administratively to the Accounting Officer and functionally to the audit committee.

256. Lack of an IT Steering Committee

The County Assembly did not have an IT steering committee which is important in performing the oversight function and formulation of policies to ensure that IT department functions properly to assist in achievement of organizational objectives in an economic, efficient and effective way. In addition, the County Assembly did not have periodic IT reports which are supposed to assess the status of implementation of IT systems and suggest corrective measures.

Consequently, the information technology governance may be overlooked as part of the County Assembly's overall governance.

257. Lack of Risk Management Policy

As previously reported, the Management of County Assembly of Turkana did not have a risk management policy in place during the year ended 30 June, 2021 contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015. The regulation requires each county government entity to develop risk management strategies and a system of risk management to enable the county identify and develop appropriate risk strategies in order to improve on effective and efficient management of public resources.

258. Failure to Tag Fixed Assets

Annex 4- summary of fixed asset register reflects that the County Assembly had assets with a historical cost balance of Kshs.1,373,737,828 as at 30 June, 2021. The assets have been classified under land, buildings and structures, transport equipment, office equipment, furniture and fittings and ICT equipment.

However, as previously reported, the County Assembly Management has not tagged or branded its assets as required under Regulation 132(1) of the Public Finance Management (County Governments) Regulations, 2015. The regulation states that, "the Accounting Officer of a county government entity shall take full responsibility and ensure

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that proper control systems exist for assets and that (a) preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse; (b) movement and conditions of assets can be tracked; and (c) stock levels are at an optimum and economical level."

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COUNTY ASSEMBLY OF WEST POKOT – NO.24

REPORT ON THE FINANCIAL STATEMENTS

Basis for Disclaimer of Opinion

259. Inaccuracies of the Financial Statements

259.1 Omitted Control Account

Included in the statement of financial assets and liabilities is a previous year (2019/2020) Control Account balance of Kshs.1,557,700. However, the balance was not brought forward in the current financial period and no explanation was provided on how it was cleared from the books of account.

259.2 Errors in the Statement of Financial Assets and Liabilities

The statement of financial assets and liabilities as at 30 June, 2021 and the previous financial year of 2019/2020 did not balance as shown below;

	2020/2021 (Kshs.)	2019/2020 (Kshs.)
Total Financial Assets	-	428,896
Net Financial Position	**603,041**	1,986,596

259.3 Excluded Finance Costs

The template provided by the National Treasury and the Public Sector Accounting Standards Board (PSASB) shows finance costs as a line item in the statement of receipts and payments. However, the finance costs are disclosed as Nil balance compared to the previous year's amount of Kshs.12,043. Further, finance costs are not included in any component in the financial statements. No explanation was provided on how the County Assembly operated without incurring bank charges.

259.4 Unsupported Transfers to County Revenue Fund Account

The statement of financial assets and liabilities reflects a negative balance of Kshs.1,031,937 in respect of unsupported and unexplained transfers to County Revenue Fund Account (CRF).

259.5 Incorrect Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts – recurrent and development combined reflects the detailed items as opposed to the summarized components corresponding to the items in the statement of receipts and payments. The statement is, therefore, not prepared as per the template prescribed by the International Public Sector Accounting Standards Board.

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259.6 Statement of Cash Flows

Included in the statement of cash flows is a Nil balance of transfers to other Government entities at for the financial year 2020/2021 and Kshs.(22,424,842) for the prior year. This is at variance with the amounts disclosed in the statement of receipts and payments and Note 7 of Kshs.21,031,937 (2020/2021) and Kshs.15,250,000 (2019/2020).

Further, the statement of cash flows shows the control account at Nil balance for both 2020/2021 and 2019/2020 whereas in the financial year 2019/2020 the balance was Kshs.1,557,700.

In the circumstances, the financial statements contain material misstatements and their accuracy and completeness could not be confirmed.

260. Failure to Prepare a Trial Balance

A trial balance to support the financial statements for the County Assembly for the year ended 30 June, 2021 was not provided for audit verification and therefore the basis and accuracy of the financial statements prepared and submitted for audit could not be confirmed.

261. Misstatement of the Training Expenses

The statement of receipts and payments reflects use of goods and services amount of Kshs.202,060,892 for the year ended 30 June, 2021 which includes training expenses amount of Kshs.7,791,570 as disclosed in Note 5 to the financial statements. However, supporting schedules provided in respect of training expenses supports an amount of Kshs.17,436,470 resulting to an unexplained variance of Kshs.9,644,900.

Consequently, the accuracy and completeness of training expenses amount of Kshs.7,791,570 for the year ended 30 June, 2021 could not be confirmed.

262. Exchequer Releases and Receipts

Included in the statement of receipts and payments for the year ended 30 June, 2021 is Treasury/Exchequer releases amounting to Kshs.579,979,230. However, the following anomalies were noted;

262.1 Misstatement of the Total Receipts

The total receipts as reported in the statement of receipts and payments of Kshs.579,979,230 is at variance with the ledger amount of Kshs.602,946,573 resulting to unreconciled and unexplained variance of Kshs.22,967,343.

262.2 Missing Receipts

Included in the ledger amount of Kshs.602,946,573 is an amount of Kshs.9,553,899, under the fourth quarter. The receipt number and the date the amount was received was not indicated. Further, this amount could not be traced either in the bank statements or the cashbook provided for audit.

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262.3 Late Exchequer Releases

During the year under review, the County Assembly received Kshs.367,102,193 in the fourth quarter of the financial year, in eight (8) installments. However, the final four disbursements totalling to Kshs.202,026,659 were made in July, 2021.

Consequently, the accuracy and completeness of the Treasury/Exchequer releases amounting to Kshs.579,979,230 as reported in the statement of receipts and payments for the year ended 30 June, 2021 could not be confirmed.

263. Cash and Cash Equivalents

263.1 Lack of a Bank Account Register

As disclosed in Note 13A to the financial statements, the statement of financial assets and liabilities reflects Nil cash and cash equivalents balance. However, the Management did not maintain a register of all bank accounts opened and operated during the year. Further, a letter of authority from the County Treasury authorizing the opening and operating of the bank accounts was not provided for audit.

Consequently, the accuracy and completeness of the Nil cash and cash equivalents balance as at 30 June, 2021 could not be confirmed.

263.2 Inaccuracies of the Cash and Bank Balances

Note 13A to the financial statements reflects Nil balance in respect of the Kenya Commercial Bank account. However, review of the bank reconciliation statement as at 30 June, 2021 revealed a cash book balance of Kshs.2,394 in respect of the account resulting in unexplained variance of Kshs.2,394. The subsequent months' bank statements to confirm when the un-presented cheques were cleared were not provided for audit.

Further, a certificate of bank balance, a board of survey and cash survey reports and a bank reconciliation statement for the CBK Bank Account No. 1000243334 as at 30 June, 2021 was not provided for audit.

In the circumstances, the accuracy and completeness of the Nil balance of cash and cash equivalents as at 30 June, 2021 could not be confirmed.

263.3 Overdrawn Bank Account

The KCB Imprest Account No. 1144041589 cashbook was overdrawn in the two months of March and June, 2021 by negative Kshs.204,409 and negative Kshs.2394 respectively without approval contrary to the provisions of Section 119 (4) of the Public Finance Management Act, 2021 and Regulation 82 (7) of the Public Finance Management (County Governments) Regulations, 2015 which prohibits overdrawing of the County bank accounts without the authority of the County Treasury.

In the circumstances, Management was in breach of the law.

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263.4 Failure to Update the Cash Books

As disclosed in Note 13A to the financial statements, the statement of financial assets and liabilities as at 30 June, 2021 reflects Nil balance of cash and cash equivalents for the year under audit and comparative balance of Kshs.428,896 as at 30 June, 2020 held in three (3) bank accounts. However, during the year ended 30 June, 2021, there was no evidence that the cash books were regularly updated and maintained.

In the circumstances, the accuracy and completeness of the Nil balance of the cash and cash equivalents could not be confirmed.

264. Unsupported Hire of Hotels and Conference Facilities

As disclosed in Note 5 to the financial statements, the statement of receipts and payments reflects expenditure on use of goods and services amounting to Kshs.202,060,892 which includes training expenses amounting to Kshs.7,791,570. However, the amount at variance with the supporting schedules amount of Kshs.17,436,470 resulting to unexplained variance of Kshs.9,644,900.

In addition, included in the amount in the supporting schedules is an expenditure of Kshs.8,438,900 incurred on hiring hotels and conference facilities during the year under review. However, the County Assembly did not have an annual training plan. The training need assessment from the end users or committees on the need for various trainings and conferences held by members and staff of the County Assembly was not done.

Further, no reports were provided after the trainings were completed to indicate that the trainings were beneficial to the County Assembly.

Consequently, the accuracy and completeness of the training expenses amount of Kshs.7,791,570 for the year ended 30 June, 2021 could not be confirmed.

265. Irregular Procurement of Legal Services

The statement of receipts and payments for the year ended 30 June, 2021 reflects use of goods and services amount of Kshs.202,060,892 which includes other operating expenses of Kshs.18,389,920. However, it was noted that a law firm was paid Kshs.6,100,000 while the contract agreement records a contract sum of Kshs.5,000,000 resulting to an overpayment of Kshs.1,100,000. No evaluation criteria and professional opinion by head of procurement was provided for the engagement of the law firm.

In the circumstances, it was not possible to determine how the amount of Kshs.5,000,000 was arrived at and the circumstances under which a sum of Kshs.6,100,000 was paid to the law firm.

266. Compensation of Employees

266.1 Misstatements in the Financial Statements

As disclosed in Note 4 to the financial statements, the statement of receipts and payments reflects compensation of employees amount of Kshs.322,370,697. The amount includes

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basic salaries of Kshs.264,577,210, basic wages of temporary employees of Kshs.5,396,300, personal allowances paid as salary of Kshs.38,288,437 and personal allowances paid as reimbursement Kshs.14,108,750. However, the supporting schedule provided for audit reflects a block sum of Kshs.322,370,697.

In addition, review of sampled payment vouchers in support of wages to temporary employees totalled to Kshs.23,616,718.00 while Note 4 reflects a balance of Kshs.5,396,300 resulting in unexplained variance of Kshs.18,220,418.

Further, the breakdown of personal allowances paid as salary of Kshs.38,288,437, basic salary of permanent employees and personal allowances paid as reimbursements of Kshs.14,108,750 was not provided for audit.

Consequently, the accuracy and completeness of compensation of employees amount of Kshs.322,370,697 could not be confirmed.

266.2 Personal Allowances Paid as Part of Salary

Included in the statement of receipts and payments as at 30 June, 2021 is compensation of employees amount of Kshs.322,370,697 which includes personal allowances paid as part of salary amounting to Kshs.38,288,437. However, a detailed schedule of this amount was not provided for audit.

In addition, the amount includes payment to the County Assembly Services Board (CASB) sitting allowances amounting to Kshs.7,998,356, against a budgeted amount of Kshs.6,524,000, resulting to unexplained over-expenditure of Kshs.1,474,356. There was no evidence of CASB sitting in the year under review, as no minutes or signed attendance registers were provided for audit.

Further, the personal allowances paid as part of salary amounting to Kshs.38,288,437 includes sitting allowances paid to members of the County Assembly during committee and plenary sessions, of which the minutes and signed attendance registers for the sittings were not provided for audit.

In the circumstances, the accuracy and completeness of personal allowances paid as part of salary amounting to Kshs.38,288,437 for the year ended 30 June, 2021 could not be confirmed.

266.3 Failure to Remit Retirement Contributions by County Governments

Review of the report of the Controller of Budget on County Governments Budget Implementation for the half-year period ended 31 December, 2020 indicates that County governments have not been remitting retirement contributions to the various Retirement Benefits Schemes that serve employees of County governments and affiliated entities. Such Benefits Schemes includes the Local Authorities Provident Fund (LAPFUND), the Local Authorities Pension Trust (LAPTRUST) and the County Pension Fund.

The County Assembly owed the various funds a total of Kshs.85,463,708 and there was no evidence that the debt had been settled as at the time of audit, and no reasons were provided to justify the non-remittance of the dues to the relevant authorities.

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266.4 Over Expenditure on Compensation of Employees

The statement of receipts and payments for the year ended 30 June, 2021 reflects compensation of employees amount of Kshs.322,370,697 which is approximately 56% of the total revenue of the County Assembly amounting to Kshs.579,979,320. The expenditure amount therefore exceeded the recommended ratio of 35% under Regulation 25(1) of the Public Finance Management (County Governments) Regulations, 2015.

Consequently, the County Assembly was in breach of the law and the wage bill may not be sustainable unless adequate measures are put in place to contain the rising wage expenses.

266.5 Non-Compliance with the One-Third Rule for Employees

The statement of receipt and payments for the year ended 30 June, 2021 reflects compensation of employees' expense amount of Kshs.322,370,697 which includes basic salaries to permanent employees amount of Kshs.264,577,210. However, review of payroll data for June, 2021 reveals that, the County Assembly had one hundred and forty-five (145) employees out of which one hundred and thirty-eight (138) or (95%) of the staff were from the dominant community in the County.

In the circumstances, Management was in breach of the law.

266.6 Ethnic Composition of Employees

Review of staff establishment records revealed that, the County Assembly had ninety-six (96) employees out of which eighty-six (86) or 90% belonged to one ethnic community in the County. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which stipulates that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

In the circumstances, Management was in breach of the law.

266.7 Expenditure on Salaries, Emoluments and Benefits

The County Assembly spent a total of Kshs.288,225,844 on compensation of employees and benefits (compensation of employees - Kshs.276,771,847 and social security benefits - Kshs.11,453,997) during the year under review. This represents 46% of the total receipts of Kshs.623,982,488 on compensation of employees and benefits. Consequently, the compensation of employees cost exceeded the set threshold of 35% stipulated under Regulation 25(1) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, Management was in breach of the law.

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266.8 Irregular Salary Deductions

Review of the payroll revealed that some members of staff earned net salaries less than a third of their basic pay against the requirement of Section19(3) of Employment Act, 2007 which requires that the total amount of all deductions which may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of the basic pay.

In the circumstances, Management was in breach of the law.

266.9 Irregular Payment of Transport Allowances to MCAs

Included in the compensation of employees' expenditure of Kshs.276,771,847 is an amount of Kshs.7,241,298 relating to transport allowances paid to Members of County Assembly. However, the transport allowances were not paid through the payroll and in accordance with the approved rates as provided for in the Salaries and Remuneration Commission Kenya Gazette Vol.CXIX-No.89 of 7 July, 2017.

The Gazette Notice requires payment of transport allowance for Members of the County Assembly to be clustered into (4) four zones and Members of the County Assembly to be paid a fixed monthly transport allowance through the payroll. Further, the transport allowances paid were not taxed.

In the circumstances, Management was in breach of the law.

266.10 Irregular Payment of Sitting Allowances

The compensation of employees' expenditure of Kshs.276,771,847 also includes sitting allowances of Kshs.7,260,500 paid to Members of County Assembly and County Assembly Service Board, which were paid outside the payroll without any justification from the accounting officer. Further, Pay As You Earn (PAYE) of Kshs.5,634,150 deducted from the sitting allowances was not remitted to the Kenya Revenue Authority.

In the circumstances, Management was in breach of the law.

266.11 Irregular Employment of Ward Staff

Review of personnel records revealed that each ward office had employed six employees contrary to the requirement of the Commission on Revenue Allocation Circular Ref No: CRA/CSO/CMG/9/VOL.V (43) of 3 August, 2020 which provides for employment of three (3) employees per ward office. Further, the ward employees were each being paid salaries below the approved minimum wage of Kshs.13,572.90 per month.

In the circumstances, Management was in breach of the law.

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266.12 Wages of Temporary Employees Paid Outside IPPD

The statement of receipts and payments for the year ended 30 June, 2021 reflects compensation of employees' amount of Kshs.322,370,697 which includes basic wages of temporary employees' amount of Kshs.5,596,300 paid to casuals, and outside the payroll without any justification from the accounting officer.

In the circumstances, Management was in breach of the law.

267. Irregular Mileage Claims

Included in the statement of receipts and payments amount of Kshs.322,370,697 is personal allowances paid as reimbursements of Kshs.14,108,750. However, review of the mileage allowances revealed that a member of the County Assembly was paid Kshs.500,468 mileage allowances for the period of April, 2020 to March, 2021 from his area of representation to the County Assembly offices. In addition, during the same period another member was paid Kshs.354,105 from her area of representation to the County Assembly offices using the same vehicle.

Also, a member of the County Assembly was paid a mileage allowance of Kshs.590,284 supported with a car logbook that belonged to another individual and there was no proof of ownership by the member.

Further, another member of County Assembly was paid a mileage allowance of Kshs.684,274 with no support document of car ownership.

Consequently, the propriety of the payments of mileage allowances of Kshs.14,108,750 could not be confirmed.

268. Domestic and Subsistence Allowance

268.1 Irregular Domestic and Subsistence Allowance

Included in domestic travel and subsistence amount of Ksh.113,795,935 as reflected in Note 5 to the financial statements is expenditure of Kshs.37,590,300 which includes payments to hotels, transport expense and per diem of Kshs.5,850,808, Kshs.2,463,000 and Kshs.37,590,300 respectively paid to Members of the County Assembly and staff on various trips to different towns to write reports, bench marking, attend workshop and retreats. However, no explanation was provided as to why the activities could not be carried out within the County Assembly premises.

Further, transport expenses of Kshs.2,463,000 was not listed among the approved allowances by the Salaries and Remuneration Commission and the amount had not yet been accounted for.

In the circumstances, the propriety and value for money of the expenditure could not be confirmed.

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268.2 Wasteful or Nugatory Expenditure

Included in domestic travel and subsistence amount of Kshs.113,795,935 as reflected in Note 5 to the financial statements are payments for conference facility of Kshs.287,500 and per diem of Kshs.1,829,600 to three (3) Members of the County Assembly and twenty two (22) members of staff who went for a retreat in Kisumu to verify interim certificate No.16 amounting to Kshs.7,878,508 submitted by the project engineer in relation to proposed construction of a new office block. No explanation was given to justify why the certificate which had already been approved by the project supervisor should again be verified by the MCAs and the members of staff outside the County Assembly's offices.

Also included in domestic travel and subsistence is payment of per diem of Kshs.966,000 to the Speaker of the County Assembly, two (2) members of the County Assembly, two (2) County Assembly Services Board (CASB) members and five (5) members of staff to visit Kamiti Maximum Prison in Nairobi for five (5) days to assess the progress of the work of making seats by the Kamiti Prison industry. The need and justification for the trip to the prison was not provided for audit.

Consequently, the propriety and value for money of the expenditure could not be confirmed.

268.3 Misstatement of Account Balance

Included in the statement of receipts and payments is domestic travel and subsistence expense amount of Kshs.113,795,935 as reflected in Note 5 to the financial statements. However, the supporting schedule reflects a balance of Kshs.124,390,580 resulting to unexplained variance of Kshs.10,594,645.

Consequently, the accuracy of the expenditure could not be confirmed.

269. Unsupported Social Security Benefits

Included in the compensation of employees' amount of Kshs.322,370,697 is social security benefits amount of Kshs.15,646,806 as shown in Note 9 of the financial statements. However, the amount could not be confirmed due to failure by the County Assembly Management to provide the necessary documents and explanations during the audit.

Consequently, the accuracy and completeness of compensation of employees' expenditure of Kshs.322,370,697 for the year ended 30 June, 2021 could not be confirmed.

270. Un-explained Transfer to County Revenue Fund

Included in the statement of financial assets and liabilities, is transfer to County Revenue Fund of Kshs.1,031,937. However, the nature of this negative transfer was not explained.

Consequently, the accuracy and completeness of the Kshs.1,031,937 transferred to the County Revenue Fund could not be confirmed.

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271. Fixed Assets Register

271.1 Failure to Maintain Asset Register

As disclosed in Annex 4 to the financial statements, the summary of fixed asset register reflects that the County Assembly had fixed assets with a historical cost of Kshs.473,087,911 as at 30 June, 2021. However, the County Assembly does not maintain a fixed asset register to record its assets hence it was not possible to confirm the nature, number, physical location and fair value of the County Assembly's fixed assets.

Further, no ownership documents to confirm the existence and ownership of these fixed assets were provided for audit.

Consequently, it was not possible to confirm the accuracy and completeness of the balance of the fixed assets historical cost of Kshs.473,087,911 as at 30 June, 2021.

271.2 Unsupported Acquisition of ICT Equipment

Included in the acquisition of assets amount of Kshs.18,868,898 as reflected in Note 10 to the financial statements is purchase of ICT equipment, software and other ICT assets of Kshs.2,815,000 which were not supported with payment vouchers, quotation or tender evaluation reports.

In the circumstances, the accuracy and completeness of the acquisition of ICT equipment amounting to Kshs.2,815,000 for the year ended 30 June, 2021 could not be confirmed.

271.3 Unsupported Construction of County Assembly Restaurant and Car Park

As previously reported, the County Assembly entered into a contract with a firm for the construction of a restaurant and a car park on 3 January, 2014 at a contract sum of Kshs.36,685,718. An expenditure of Kshs.15,765,679 was incurred on the project in the financial year 2014/2015 but payment vouchers were not submitted for audit verification. During the year under review, project records including payment vouchers, certificates of completion issued, status report of the project were not yet provided for audit.

Further, request for a physical inspection during the year under review was not granted by the client. The project seems to have stalled and there was no budgetary provision in respect of the project in the 2020/2021 financial year.

Consequently, the objectives of the project have not been achieved and residents of County may not have realized value for money on the funds spent on the project.

271.4 Delayed Construction of a New Complex for West Pokot County Assembly

The statement of receipts and payments reflects an expenditure of Kshs.18,868,898 under acquisition of assets which, as disclosed in Note 10 to the financial statements, includes an amount of Kshs.8,753,898 relating to construction of buildings. The amount

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was paid during the year for construction of a modern County Assembly complex. The contract was awarded on 6 January, 2015 at a contract sum of Kshs.358,392,421.

The contractor has been paid a total of Kshs.346,904,962 or 97% of the contract sum to date. The amount paid include prime cost of Kshs.34,000,000 which was not accounted for. The completion/interim certificates were issued upon valuation by the quantity surveyor contrary to Section 48(4) of the Public Procurement and Asset Disposal Act, 2015 which requires the Inspection and Acceptance Committee to ensure that the correct quantity of the goods is received, the goods, works or services meet the technical standards defined in the contract, the goods, works or services have been delivered or completed on time, or that any delay has been noted, all required manuals or documentation have been received and issue interim or completion certificates or goods received notes, as appropriate and in accordance with the contract.

Further, the project is behind schedule as it was supposed to be completed by February, 2018. Management has not claimed liquidated damages from the contractor. The Management has explained that the execution of the contract was suspended by the Governor of West Pokot through a letter dated 19 September, 2017 to facilitate a special audit of all contracts. The basis of the termination of the contract and the termination letter by the Governor were not provided for audit.

The contract period was extended to 6 September, 2019 vide Deputy Clerk letter Ref.WPCA/Proc.2018. However, the County Assembly Service Board minutes approving the extension were not provided for audit. A second extension of the project completion time to 30 June, 2021 was approved by the County Assembly Service Board on 23 March, 2021. However, the members of the Board did not sign the minutes.

In addition, the contractor was paid Kshs.8,753,895 vide payment voucher no.1837 during the year under audit, of which the voucher was not provided for audit.

Therefore, the accuracy and completeness of the construction of buildings amount of Kshs.8,753,895 for the year ended 30 June, 2021 could not be confirmed.

272. Budgetary Control and Performance

The statement of comparison of budget and actual amounts-recurrent and development combined reflects an approved expenditure budget of Kshs.659,515,814 against actual expenditure of Kshs.589,533,128 resulting in an overall under expenditure of Kshs.69,982,686 or 11%. The under expenditure mainly occurred on development budget where an amount of Kshs.9,553,898 was spent against the budgeted amount of Kshs.55,065,814 resulting to an under expenditure of Kshs.45,511,916 or 83%.

The underfunding and underperformance constrained execution of planned activities and delivery of services to the public.

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273. Pending Bills

As disclosed in Note 4.4 on other disclosures to the financial statements, the County Assembly had pending bills totalling Kshs.5,993,137 which were due to suppliers of goods and services as at 30 June, 2021. Had the pending bills been paid and charged to the year under review, the financial statements would have reported a deficit of Kshs.5,993,137 instead of the surplus/deficit Nil balance.

In addition, the annexure showed the financial year, not the aging analysis, date when the bills were incurred and for how long it had remained unpaid. Accumulation of pending bills is contrary to The National Treasury Circular Ref AG 3/101/75 which requires Accounting Officers to establish effective financial controls and maintain financial discipline for efficient use of resources.

274. Public Procurement and Disposal of Assets

274.1 Non-Publication of Tenders in the Public Procurement Information Portal (PPIP)

During the year under review, the use of goods and services documents revealed that the County Assembly procured goods and services for various departments and awarded tenders to various firms worth Kshs.44,117,713. However, none of these procurements were published in the public procurement information portal. The Management did not provide evidence of reporting the award of these tenders to the Public Procurement Regulatory Authority as required by executive order No. 2 of 2018 and PPRA Circular No.1/2016.

274.2 Anomalies in Provision of Medical Insurance

The County Assembly in sourcing for insurance services adopted the e- procurement system through open tendering. At the opening of the tenders, seven (7) bidders submitted their bids, out of which two (2) firms passed the mandatory stage and proceeded to the technical evaluation. The GOK IFMIS Evaluation matrix report dated 8 June, 2021 at the financial evaluation stage indicates that there were three (3) firms out of which, one (1) firm had not submitted its bid initially. However, it was not clear how the company was being subjected to financial evaluation having not submitted a bid as per the tender opening documents received via the e- procurement portal.

In the circumstances, Management was in breach of the law.

275. Irregular Payments to the County Assemblies Forum

As disclosed in Note 5 to the financial statements, the statement of receipts and payment for the year ended 30 June, 2021 reflects use of goods and services amounting to Kshs.202,060,892 which includes other operating expenses of Kshs.18,389,920 out of which an amount of Kshs.9,700,000 was paid to the County Assemblies Forum.

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However, no supporting document was provided to confirm under which law or regulations the County Assembly was remitting the funds to the County Assemblies Forum.

In the circumstances, Management was in breach of the law.

276. Over Expenditure on Compensation of Employees

As disclosed in Note 4 to the financial statements, the statement of receipts and payment compensation of employees amount of Kshs.322,370,697. However, there were marked over expenditures on the following items:

Audit Component	Current Year Actual (Kshs.)	Current Year Budget (Kshs.)	Difference Between Budget and Actual (Kshs.)	% Diff
Basis Salaries of Permanent Employees	264,577,210	235,856,380	28,720,830	12%
Personal Allowances paid as Salary	38,288,437	7,676,000	30,612,437	398%
Personal Allowances paid as Reimbursement	14,108,750	2,000,000	12,108,750	605%

The authority or approval for re-allocations to finance the over expenditure were not provided for audit.

In the circumstances, Management was in breach of the law.

277. Failure to Submit Accounts of the County Assembly Services Board

The County Assembly Services Board did not prepare and submit financial statements for the year ended 30 June, 2021 to the Office of the Auditor-General contrary to Section 32 (1) and 32(2) (a) of the County Assembly Services Act, 2017.

In the circumstances, Management was in breach of the law.

278. Irregular Expenditure on Hotels and Conference Facilities

As disclosed in Note 5 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.253,702,967 under use of goods and services, which includes Kshs.7,791,570 in relation to training expenses. Out of this amount, an expenditure of Kshs.7,231,550 was incurred on hiring hotels and conference facilities. However, the facilities were directly procured while they were not included in the procurement plan for the year under review. Further, the County Assembly did not have an annual training plan, training needs assessment was not done and no reports were produced after the trainings were completed.

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In addition, procurement of hotel and conference facilities was done outside IFMIS against the requirement of Treasury Circular No. 24/2015 dated 21 December, 2015 which provided guidelines on the use of e-Procurement in the County Governments.

In the circumstances, Management was in breach of the law.

279. Unsupported Purchase of a Motor Vehicle

Included in the acquisition of assets expenditure of Kshs.67,920,438 is an amount of Kshs.8,356,000 relating to purchase of motor vehicles and other transport equipment which was paid for purchase of a Toyota Fortuner. However, review of records provided revealed that the vehicle was directly procured although the prevailing conditions did not justify the procurement method.

Further, the logbook for the vehicle was also not provided for audit. Management explained that the supplier was identified from the contracted suppliers of motor vehicles for the Ministry of Transport, Infrastructure, Public Works, Housing and Urban Development. However, there was no evidence to confirm that the County Assembly requested to use the contracted suppliers of the Ministry and the approval from the tender committee as required under Section 56 of the Public Procurement and Asset Disposal Act, 2015.

280. Lack of Information Communication Technology Policy

Review of the Information and Communication Technology (ICT) System of the County Assembly revealed that the County Assembly did not have an approved IT Policy, Data Recovery Plan and IT Security Policy which are vital in effective and efficient management of the entity's IT resources.

Further, the County Assembly did not have an IT Steering Committee which is important in performing the oversight function and formulation of policies to ensure that IT Unit functions are properly in place to assist in the achievement of organizational objectives in an efficient, economic and effective manner. In addition, the County Assembly did not have periodic IT reports which are supposed to assess the status of implementation of IT systems and suggest corrective measures.

281. Ineffective Internal Audit Unit

As previously reported, the County Assembly has established an Internal Audit Unit to oversee the governance mechanism and promote transparency and accountability of management of the County Assembly's resources. However, the unit has only two (2) officers who report to the Management instead of an audit committee contrary to Regulation 155(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Head of Internal Audit Unit in a County Government to enjoy operational independence through the reporting structure by reporting administratively to the Accounting Officer and functionally to the audit committee.

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Consequently, due to the shortage of capacity in internal audit, weaknesses in internal control systems may pass unnoticed exposing the County Assembly to risk of loss of assets and other resources.

282. Lack of Risk Management Policy

As reported in the previous year, review of risk management processes revealed that the Management does not conduct risk assessment of the various operational areas to make recommendations of the measures to be instituted to check on the risks. The lack of risk assessment and regular reviews on fraud risk control processes makes it impossible for the Management to establish if the operations are not prone to risks.

283. Unresolved Prior Year Audit Matters

There were issues raised in the audit report for 2019/2020 financial year. However, no report or recommendations from the Management and oversight bodies were submitted for audit verification and clearance. Further, the issues remain unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require accounting officers designated for County Government entities to try to resolve any issues resulting from an audit that remain outstanding.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

284. There were no material issues relating to effectiveness of internal controls, risk management and governance.

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REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

285. Anomalies in Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts: recurrent for the year ended 30 June, 2021 reflects Kshs.529,497,034 on final budget total payments. However, a recast of the balances reflected Kshs.490,297,556 resulting in an unexplained variance of Kshs.39,199,478.

In the circumstances, the validity and accuracy of the statement of comparison of budget and actual amounts: recurrent could not be confirmed.

286. Variance Between the Financial Statements and Integrated Financial Management Information System (IFMIS)

The financial statements provided for audit and the IFMIS records reflected an unexplained variance of Kshs.47,297,682 on fourteen (14) items as detailed below: -

Use of Goods and Services	Financial Statements Balance Kshs.	IFMIS Balance Kshs.	Variances Kshs.
Utilities, Supplies and Services	609,405	563,305	46,100
Communication, Supplies and Services	7,114,542	6,982,642	131,900
Domestic Travel and Subsistence	67,937,544	32,212,919	35,724,625
Foreign Travel and Subsistence	16,638,124	12,883,299	3,754,825
Printing, Advertising and Information Supplies & Services	1,797,285	1,462,284	335,001
Rentals of Produced Assets	7,449,095	6,851,520	597,575
Training Expenses	2,319,680	2,030,370	289,310
Hospitality Supplies and Services	12,294,325	11,766,455	527,870
Insurance Costs	18,183,354	18,850,804	(667,450)
Office and General Supplies and Services	5,154,530	4,935,530	219,000
Fuel Oil and Lubricants	4,801,434	4,701,434	100,000
Other Operating Expenses	24,719,039	18,705,363	6,013,676
Routine Maintenance – Vehicles	5,660,045	5,627,295	32,750
Routine Maintenance – Other Assets	601,720	409,220	192,500
Total	**178,665,671**	**131,367,989**	**47,297,682**

Consequently, the accuracy and completeness of the respective financial statements balances for the year ended 30 June, 2021 could not be confirmed.

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287. Unsupported Bank Balances

As disclosed in Note 13 to the financial statements, the statement of financial assets and liabilities reflects bank balance of Kshs.135,884 as at 30 June, 2021. However, bank balance of Kshs.833,950 held at KCB bank account in respect of salary account was omitted from the financial statements. Further, the bank statements, cash book and bank reconciliation statements for the KCB bank account were not provided for audit verification.

In the circumstances, the accuracy and completeness of the reported bank balance of Kshs.135,884 as at 30 June, 2021 could not be confirmed.

288. Use of Goods and Services

The statement of receipts and payments reflects use of goods and services expenditure of Kshs.178,665,671 as disclosed under Note 5 to the financial statements. Review of documents provided for audit revealed the following anomalies;

288.1 Misclassification of Use of Goods and Services Expenditure

Included in the use of goods and services are expenditure items totalling to Kshs.6,711,251 relating to domestic travel and subsistence that have been charged to inappropriate expenditure heads as detailed below:

No.	Expenditure Head Charged	Appropriate Expenditure Head	Amount (Kshs.)
1	Rentals of Produced Assets	Domestic Travel and Subsistence	597,575
2	Other Operating Expenses	Domestic Travel and Subsistence	6,013,676
3	Fuel, Oil and Lubricants	Domestic Travel and Subsistence	100,000
	Total		**6,711,251**

Consequently, the accuracy and completeness of the respective balances on use of goods and services in the financial statements for the year ended 30 June, 2021 could not be confirmed.

288.2 Unsupported Domestic Travel and Subsistence

Included in the use of goods and services expenditure is an amount of Kshs.67,937,544 in respect of domestic travel and subsistence which further includes Kshs.4,254,000 on various unsupported payments in respect of travelling to various workshops and meetings during the launch of strategic plan.

Consequently, the propriety and accuracy of the expenditure totalling Kshs.4,254,000 for the year ended 30 June, 2021 could not be confirmed.

Other Matter

289. Budgetary Control and Performance

The statement of comparison of budget and actual amounts: recurrent and development combined for the year ended 30 June, 2021 reflects an approved total

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expenditure budget of Kshs.640,497,035 against the actual expenditure of Kshs.597,411,023 translating to 93% budget implementation. Similarly, out of the budgeted receipts of Kshs.640,497,035, the County Assembly received Kshs.597,546,907 or 93% of the budget.

Failure to achieve 100% in both budget implementation and funding may have adversely affected the implementation of the planned development projects to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

290. Subscription Fees Paid Without Guiding Policy

Review of expenditure records maintained by the County Assembly indicated that during the year under review, Management paid Kshs.3,150,000 in subscription fees to the County Assemblies Forum (CAF) and Society of Clerks-at-the Table (SOCATT). However, supporting documents including policies and guidelines for the payment of subscriptions to such bodies were not provided for audit.

In the circumstances, the propriety of the expenditure totalling to Kshs.3,150,000 for the year under review could not be confirmed.

291. Staff Ethnic Distribution

Review of human resource records revealed that during the year under review, the County Assembly had one hundred and seventeen (117) permanent employees out of which 85% were from the dominant ethnic community in the County. This contravenes the provisions of Section 65(e) of the County Governments Act, 2012 which requires the County Governments to ensure that at least thirty percent (30%) of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County.

In the circumstances, Management was in breach of the law.

292. Delay in Construction of County Assembly Chambers and Associated Works

A firm was awarded a contract for Construction of Assembly Chambers and Associated Workspaces on February, 2017 with a contract price of Kshs.262,098,210. The Project was expected to be completed on 8 August, 2018. The firm had been paid a total of Kshs.149,475,479 at the time of audit, which translates to 57% of the contract sum. Physical inspection of the project in October, 2021 revealed that the project was below 40% completion despite the three (3) years delay in completion. In addition, the contractor was not on site at the time of audit verification. Further, the consultancy contract for supervision of construction was awarded to a firm at a contract sum of Kshs.105,450,310 out of which Kshs.87,053,361 or 83% of the contract sum had been paid as at the time of audit in October, 2021.

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In the circumstances, value for money on the expenditure of Kshs.149,479,940 and Kshs.87,053,361 both totalling Kshs.236,528,840 incurred on the incomplete project could not be confirmed.

293. Non-Submission of the County Assembly Service Board Financial Statements

The County Assembly Management did not submit the financial statements of the County Assembly Service Board for the year under review to the Auditor-General with copies to the County Treasury, Controller of Budget and Commission on Revenue Allocation. Further, the Management did not publish and publicize the financial statements as required by Section 32 of the County Assembly Services Act, 2017.

In the circumstances, Management was in breach of the law.

294. Payment of Staff Outside Integrated Payroll and Personnel Database

Review of compensation of employees in the statement of receipts and payments for the year ended 30 June, 2021, indicates that salaries for one hundred and fifty-nine (159) officers amounting to Kshs.49,284,287 were paid outside the Integrated Personnel Payroll Database (IPPD) payroll. This was contrary The National Treasury Circular No.9/2017 that requires personnel emoluments to be supported by IPPD.

In the circumstances, Management was in breach of the law.

295. Lack of Training Needs Assessment

The statement of receipts and payments for the year ended 30 June, 2021 reflects use of goods and services expenditure of Kshs.178,665,671 and as disclosed under Note 5 to the financial statements. Included in the amount is Kshs.2,319,680 in respect of training expenses. However, there was no evidence provided for audit review that the County Assembly carried out training needs assessment for its staff as a basis for training carried out during the year under review. This in contrary to Section 2.2 of Samburu County Assembly Training and Development Policy, 2016 which provides that all training in the County Assembly will be based on comprehensive training needs assessment to be conducted on annual basis in each department.

In the circumstances, Management was in breach of the law.

296. Violation of a Third Rule on Salary Pay Deduction

Review of the County Assembly payrolls for the year under review revealed that thirty (30) members of staff over-committed their salaries beyond the two thirds of their basic salaries. This was contrary to Section C.1(3) of Human Resource Policies and Procedures Manual for the Public Service, 2015, which requires that public officers shall not over-commit their salaries beyond two thirds (2 /3) of their basic salaries and heads of human resource units should ensure compliance.

In the circumstances, Management was in breach of the law.

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Basis for Conclusion

297. Lack of Risk Management Policy

As previously reported, the Management did not provide supporting documents, for audit, as evidence of existence of a risk management policy to guide the Management on risk assessment and formulation of risk mitigation strategies in the year under review. This is contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to develop risk management strategies which include fraud prevention mechanism and internal control that builds robust business operations.

In the absence of a risk management and fire policy, it was not possible to confirm whether the internal controls built within the financial and operational systems were functioning as intended during the year under review.

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REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

298. Fixed Assets Register

The financial statements reflect, under Annex 3-Summary of Fixed Assets Register, fixed assets totalling Kshs.105,136,975. However, a detailed register provided for audit review did not include information relating to purchase cost, opening balances, disposals and closing balances. The register only reflects date of acquisition, name of supplier and location.

It was also noted that the County Assembly did not have a handing over report for the assets inherited from the defunct local authorities.

In the circumstances, the accuracy of fixed assets balance of Kshs.105,136,975 reflected in the summary of fixed assets register as at 30 June, 2021 could not be ascertained.

299. Use of Goods and Services-Unsupported Training Expenses

The expenditure of Kshs.307,693,004 reflected in the statement of receipts and payments under use of goods and services as disclosed in Note 4 to the financial statements includes, Kshs.11,576,760 relating to training expenses. However, review of documents presented for audit indicated that training needs assessment was not done and approvals from the training committee were not provided for audit.

In the circumstances, the basis on which the trainings were carried out could not be ascertained and the propriety of the training expenditure of Kshs.11,576,760 for the year ended 30 June, 2021 could therefore not be confirmed.

Other Matter

300. Budgetary Control and Performance

During the year under review, the County Assembly's actual receipts for development vote amounted to Kshs.39,111,553 against budgeted receipts of Kshs.129,997,445 resulting in a shortfall of Kshs.90,885,892, or 70% under-utilization level. No explanation was provided for the huge under-utilization of the budget, thereby denying residents of the County implementation of approved development programs.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

301. Acquisition of Non - Financial Assets

301.1 Proposed Construction of Administration Block and Assembly Chambers

The expenditure of Kshs.41,496,553 reflected in the statement of receipts and payments under acquisition of assets includes, as shown in Note 6 to the financial statements, Kshs.36,583,227 relating to construction of buildings, out of which,

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Kshs.27,935,201 was paid to a contractor for construction of an administration block and Assembly chambers. The contract had been awarded earlier at a contract sum of Kshs.477,657,860 for a contract period of eighteen (18) months commencing on 18 January, 2021 to end on 28 July, 2022.

However, an audit inspection carried out in October, 2021 revealed that materials on site, especially the BRC mesh and reinforcement wires were poorly stored in the open field exposed to the weather. In addition, although the contractor was on site during the inspection, work was still at the substructure stage, hence the contractor may not likely to complete the project within the eighteen (18) months stipulated in the signed contract. Work progress reports were also not provided for audit review.

In the circumstances, the County Assembly may not obtain value for money from the project as expected.

301.2 Construction of Perimeter Wall and Carport at the Speaker's Official Residence

The expenditure of Kshs.41,496,553 reflected in the statement of receipts and payments under acquisition of assets includes, as shown in Note 6 to the financial statements, Kshs.36,583,227 relating to construction of buildings, out of which, Kshs.8,648,026 was paid during the year under review to a construction company for construction of a perimeter stone wall and carport at the Speaker's official residence. The contract, with a total contract sum of Kshs.13,341,624 was awarded in 2013/2014 financial year through a contract agreement signed on 23 September, 2013. A physical inspection carried out in October, 2021, revealed that the project had stalled for several years and the contractor was not on site. No justifiable explanation was provided for the non-completion of the project that started in 2013.

In the circumstances, the County Assembly has not obtained value for money from the project.

302. Failure to Observe Two-Thirds (2/3) Salary Deduction Rule

As reported in the previous year, analysis of the payroll for permanent employees indicated that the monthly salaries for thirty-two (32) officers of the County Assembly were less than one third of their respective basic salaries due to deductions for loans and other non-statutory liabilities made on their gross pay. The excessive deductions contravened Section (19)(3) of the Employment Act, 2007, which prohibits employers from deducting more than two thirds (2/3) of the basic pay.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

303. There were no material issues relating to effectiveness of internal controls, risk management and governance.

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REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

304. Variances Between Financial Statements and Integrated Financial Management Information System (IFMIS)

The balances reflected in the statement of receipts and payments for the year ended 30 June, 2021 were at variance with the IFMIS report in respect of thirteen (13) expenditure items as detailed below:

Details	Amount as per Financial Statements (Kshs.)	Amount as Per IFMIS Report (Kshs.)	Variance (Kshs.)
Compensation of Employees	329,762,052	282,366,598	47,395,454
Utilities, Supplies and Services	1,094,589	1,089,438	5,151
Domestic Travel and Subsistence	101,043,180	316,621,201	(215,578,021)
Foreign Travel and Subsistence	556,830	1,948,498	(1,391,668)
Printing, Advertising and Information Supplies and Services	44,910,355	20,313,013	24,597,342
Rentals of Produced Assets	8,239,110	3,402,157	4,836,953
Training Expenses	39,957,540	5,815,636	34,141,904
Hospitality Supplies and Services	64,791,391	19,242,999	45,548,392
Insurance Costs	30,497,410	28,280,737	2,216,673
Specialized Materials and Services	815,650	1,225,760	(410,110)
Office and General Supplies and Services	9,224,533	4,621,378	4,603,155
Fuel, Oil and Lubricants	4,999,282	3,820,983	1,178,299
Routine Maintenance-Vehicles and Other Transport Equipment	3,999,434	3,162,439	836,995

The differences have not been explained or reconciled.

In the circumstances, the accuracy and completeness of the respective financial statements balances for the year ended 30 June, 2021 could not be confirmed.

305. Temporary Employees Paid Outside Integrated Personnel and Payroll Database (IPPD) System

As disclosed in Note 2 to the financial statements, the statement of receipts and payments reflects compensation of employees' expenditure of Kshs.329,762,052 which includes basic wages of temporary employees of Kshs.39,153,080. However, the expenditure balance was at variance with an amount of Kshs.39,474,492 reflected in the supporting schedules, resulting in an unexplained and unreconciled variance of Kshs.321,412.

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Further, an officer was paid an amount of Kshs.3,336,482 outside the Integrated Personnel and Payroll Database (IPPD) System. This was contrary to The National Treasury Circular No.9/2017 which requires personnel emoluments to be supported by IPPD.

Consequently, the accuracy and completeness of basic wages of temporary employees of Kshs.39,153,080 for the year ended 30 June, 2021 could not be confirmed.

306. Unsupported Rent for Ward Offices

The statement of receipts and payments reflects use of goods and services expenditure of Kshs.338,260,166, which as disclosed in Note 3 to the financial statements includes Kshs.8,239,110 incurred on rentals of produced assets. As previously reported, however, the expenditure was not supported by invoices and the lease agreements or contracts between the County Assembly and the landlords.

In addition, the rent for all the ward offices was pegged at Kshs.15,000 per month. Management did not explain how the rent charges were determined although the ward offices are not in the same locality.

In the circumstances, the validity and accuracy of the rent expenditure for ward offices of Kshs.8,239,110 for the year ended 30 June, 2021 could not be confirmed.

Other Matter

307. Budgetary Control and Performance

The statement of comparison of budget and actual amounts; recurrent and development combined reflected final receipts budget and actual on a comparable basis of Kshs.946,014,946 and Kshs.702,372,120 respectively, resulting in an under-funding of Kshs.243,642,826 or 26% of the budget. Similarly, the County Assembly expended Kshs.702,140,890 against an approved budget of Kshs.946,014,946, resulting in an under-expenditure of Kshs.243,874,056 or 26% of the budget. The underfunding and underperformance affected the planned activities and may have adversely affected service delivery to the public.

Further, Exchequer releases totalling to Kshs.16,366,510 received after the end of the financial year on 10 and 12 July, 2021 were recorded as revenue for the year under review.

This was contrary to the provisions of Regulation 97(4) of the Public Finance Management (County Governments) Regulations, 2015, which provides that an actual cash transaction taking place after 30 June, shall not be treated and recognized as relating to the previous financial year. Further, backdating transactions to 30 June, is against the concept of IPSAS cash accounting.

308. Pending Bills

Annexure 1 to the financial statements reflects pending accounts payables amounting to Kshs.24,063,037 which were outstanding as at 30 June, 2021. However, the creditors' ageing analysis was not provided for audit verification. Further, included in the pending bills balance of Kshs.24,063,037 is an amount of Kshs.300,000 carried

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forward from the 2019/2020 financial year which should have been paid as a first charge in the 2020/2021 financial year was still outstanding as of 30 June, 2021.

In addition, had the pending bills been paid and charged to the year under review, the financial statements would have reflected a deficit of Kshs.23,831,807 instead of the reported surplus of Kshs.231,230.

Failure to settle bills during the year to which they relate distorts financial statements for the year and adversely affects the provisions for the subsequent year for which they have to be charged.

309. Unresolved Prior Year Audit Matters

As disclosed under progress on follow up of prior years' auditor's recommendations section of the financial statements, the issues reported in the prior year remained unresolved as at 30 June, 2021. Management did not provide reasons for the delay in resolving the prior year audit issues. This is contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require Accounting Officers designated for county government entities to resolve any issues resulting from an audit that remain outstanding.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

310. Compensation of Employees

310.1 Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

During the year under review, the County Assembly spent Kshs.329,762,052 on compensation of employees and Kshs.17,748,097 on social security benefits totalling Kshs.347,510,149 representing 49% of the total receipts of Kshs.702,372,120. This is contrary to provisions of Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which states that the expenditure on wages and benefits for public officers should not to exceed thirty five percent (35%) of the total revenue for the year.

In the circumstances, Management was in breach of the law.

310.2 Staff Ethnic Diversity

A review of the payroll for June 2021, revealed that the County Assembly had ninety (90)) employees, out of which seventy-five (75) or 83% of the total number were from the dominant community in the County. Further, during the year under review, the County Assembly Service Board recruited six (6) new staff at various cadres on contract terms from the same ethnic community. This is contrary to the provisions of Section 65(e) of the County Governments Act, 2012 which requires the County Governments to ensure that at least thirty percent (30%) of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County.

In addition, the County Assembly has not employed any persons with disability.

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In the circumstances, Management was in breach of the law.

310.3 Non-Compliance with One Third Rule on Salary Pay Deduction

A review of the County Assembly payrolls for the year under review revealed that forty-six (46) employees had over-committed their salaries beyond the two-thirds of their basic pay. This contravenes Section C.1(3) of the Human Resource Policies and Procedures Manual for the Public Service, 2015 and Section F.13 of the County Assembly of Uasin Gishu Human Resource Manual, 2015 which states that public officers shall not over-commit their salaries beyond two-thirds of their basic salaries and heads of human resource units should ensure compliance.

In the circumstances, Management was in breach of the law.

311. Non-compliance with The National Treasury's Circular on Domestic Travel

The statement of receipts and payments for the year ended 30 June, 2021, reflects use of goods and services balance of Kshs.338,260,166 out of which, Kshs.101,043,180 relates to domestic travel and subsistence as disclosed in Note 3 to the financial statements. However, the expenditure includes Kshs.23,965,000 incurred on domestic travel and subsistence allowance outside the county contrary to the National Treasury Circular No. 20/2015 dated 11 April, 2015 on curtailing domestic travel and related expenditure. The directive suspended staff moving from their headquarters to other towns for the purpose of training, discussing strategy documents, consultant's reports or any other assignments that would ordinarily be carried out within the offices at the headquarters.

As a result, Management breached the government directive.

312. Failure to Submit Accounts of the County Assembly Service Board

The County Assembly Management did not prepare and submit the financial statements of the County Assembly Service Board for the year ended 30 June, 2021. This is contrary to Section 32(2) of the County Assembly Services Act, 2017 which requires the Secretary to the Board within three months after the end of each financial year, to submit the accounts of the Board to the Auditor-General, with copies to the County Treasury, Controller of Budget, and Commission on Revenue Allocation.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

313. Lack of an Independent Internal Audit Function

The County Assembly has established an internal audit unit. However, the internal auditor reports both functionally and administratively to the Accounting Officer instead of an Audit Committee. An Audit Committee has not been constituted. This is contrary to Section 155(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Head of Internal Audit Unit in a county government entity shall enjoy operational independence through the reporting

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structure by reporting administratively to the Accounting Officer and functionally to the Audit Committee.

In the circumstances, the unit lacks the operational independence to execute its mandate of oversight and promoting accountability in the management of the resources of the County Assembly.

314. Lack of ICT Risk Management Policy

A review of the Information and Communication Technology (ICT) revealed that during the year under review, the County Assembly had not established a Risk Management Policy for effective and efficient management of the entity's IT resources. Further, the County Assembly did not have an IT Strategic and Steering Committee to formulate policies and advice on ICT investment priorities. In addition, no periodic IT reports were prepared to assess the status of the implementation of IT systems and suggest corrective measures.

In the absence of a risk management strategy, it has not been possible to confirm whether the internal controls built in financial and operational systems were functioning as intended during the year under review.

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REPORT ON THE FINANCIAL STATEMENTS

Unqualified Opinion

315. There were no material issues noted during the audit of financial statements of the County Assembly.

Other Matter

316. Budgetary Control and Performance

The statement of comparison of budget and actual amounts indicates that the County Assembly's total budget for the year under review amounted to Kshs.588,228,399 comprised of a development budget totalling Kshs.15,253,618 and a recurrent budget totalling Kshs.572,974,781. Actual development expenditure was Kshs.21,198,096 resulting in over-expenditure totalling Kshs.5,944,478 funded by re-allocation of funds totalling from the recurrent budget to the development budget. Further, the recurrent expenditure amounted to Kshs.587,729,618 and was therefore just 1% short of the budget amounting to Kshs.572,974,781. However, records on the requisite approvals were not provided for audit.

In the circumstances, the effectiveness in the use of public resources could not be confirmed.

317. Undisclosed Inherited Fixed Assets

As similarly reported in the previous year, Annex 4 to the financial statements includes the summary of fixed assets register which reflects assets with a historical value of Kshs.206,323,955 as at 30 June, 2021. However, the balance does not include the values of various assets that include land, buildings, motor vehicles, computers and computer accessories, furniture and fittings and equipment in use by the County Assembly that were taken over from defunct local authorities in the County.

Management has explained that the assets were excluded from the balance because the process of their valuation had not been completed as at 30 June, 2021.

318. Unresolved Prior Year Issues

The audit report for the year ended 30 June, 2020 highlighted several unsatisfactory matters under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance internal control. Although the Management has indicated that the issues have been resolved, the matters have remained unresolved as the Senate has not deliberated on the same.

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Basis for Conclusion

319. Excessive Expenditure on Compensation of Employees

The County Assembly's expenditure on compensation of employees in the year under review totalled Kshs.298,591,945 or 50% of its receipts for the year totalling Kshs.588,228,399. The expenditure was in excess of the threshold of 35% prescribed in Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 and Section 107(2) of the Public Finance Management Act, 2012.

In the circumstances, Management was in breach of the law.

320. Failure to Observe One-Third Rule in Staff Establishment

Audit review of staff payroll data for June, 2021 indicated that the County Assembly had one hundred and fourteen (114) permanent employees out of whom one hundred and twelve (112) or ninety eight percent (98%) were from the dominant ethnic community in the County. This was contrary to Section 7(1) of the National Cohesion and Integration Act, 2008 which requires public entities to seek to represent the diversity of the people of Kenya in their staff establishments.

In the circumstances, Management was in breach of the law.

321. Failure to Submit County Assembly Service Board Financial Statements for Audit

As in the previous year, contrary to Sections 32(1), (2) and (3) of the County Assembly Services Act, 2017, the County Assembly Services Board did not submit its financial statements for the year under review to the Auditor-General for audit. The Board has since its inception never prepared nor submitted its financial statements for audit.

In the circumstances, Management was in breach of the law.

322. Irregular Processing of Salaries

A review of salary payrolls indicated that the County Assembly maintained both the electronic Integrated Personnel and Payroll Database (IPPD) and manual payrolls. Out of the total staff costs expenses totalling Kshs.298,591,945 reflected in expenditure records, Kshs.272,911,320 was processed using the IPPD system whereas the balance totalling Kshs.25,680,625 was paid to contractual and new employees through Excel spreadsheets and manual payment vouchers outside the prescribed IPPD System. The irregular payments made outside the IPPD were more prone to human error and other forms of misstatement.

In the circumstances, effectiveness of internal controls over manual payroll could not be confirmed.

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Basis for Conclusion

323. Lack of Risk Management Policy

Management did not submit for audit records on its risk management policy. Failure to formulate and document the policy was contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires each Accounting Officer to develop risk management strategies which include fraud prevention mechanisms and internal controls that build robust operations.

In the absence of a risk management policy, the County Assembly may not sufficiently respond to financial and other operational risks in the course of its operations.

324. Lack of a Disaster Recovery Plan

The County Assembly does not have an established disaster recovery or business continuity plans. This is contrary to Section 99 of the Public Finance Management (PFM) Act, 2012 which requires County Government entities to have such plans.

In the absence of the plans, the County Assembly could be disrupted on occurrence of unfavorable events that impact its operations.

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REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

325. Presentation, Accuracy and Disclosure of the Financial Statements

The financial statements submitted for audit did not conform to the prescribed format issued by the Public Sector Accounting Standards Board vide The National Treasury and Planning Circular Letter Reference No. AG.4/16/2 Vol.3(72) dated 30 June, 2021 as outlined below.

325.1 Variance between the IFMIS Report and Financial Statements

The statement of financial assets and liabilities as at 30 June, 2021 and the statement of receipts and payments for the year ended 30 June, 2021 are at variance with the IFMIS financial reports as indicated below:

Item	Financial Statements Figure (Kshs.)	IFMIS Figure (Kshs.)	Variance (Kshs.)
Receipts			
Transfers from the County Treasury/Exchequer Releases	666,356,121	-	666,356,121
Total	**666,356,121**	**-**	**666,356,121**
Payments			
Compensation of Employees	368,248,232	376,684,642	(8,436,410)
Use of Goods and Services	181,970,435	204,446,830	(22,476,395)
Social Security Benefits	9,777,560	15,979,800	(6,202,240)
Acquisition of Assets	40,765,660	180,475,864	(139,710,204)
Other Payments	-	14,734,328	(14,734,328)
Total Payments	**600,761,887**	**792,321,464**	**(191,559,577)**
Assets			
Bank Balances	107,553,794	(59,499,228)	167,053,022
Cash Balances	-	2,652,073,136	(2,652,073,136)
Accounts Receivable	-	5,400,000	(5,400,000)
Total			**(2,490,420,114)**
Liabilities			
Accounts Payables - Deposits	29,498,136	**-**	29,498,136
Fund Balance b/forward	12,461,424	(1,311,310,305)	1,323,711,729
Surplus/Deficit for the Year	**65,594,234**	-	**65,594,234**

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Item	Financial Statements Figure (Kshs.)	IFMIS Figure (Kshs.)	Variance (Kshs.)
Receipts			
Total	**95,092,370**	**(1,311,310,305)**	**1,418,864,099**

No satisfactory explanations or reconciliation have been provided for the above variances.

325.2 Variance in Other Pending Payables

The financial statements as disclosed in Note 3 of other disclosures reflects a balance of Kshs.48,720 under other pending payables whereas Annex 3 reflects a Nil balance.

In the circumstances, the accuracy and completeness of the other pending payables Nil balance as at 30 June, 2021 could not be confirmed.

326. Unsupported Cash and Cash Equivalents

The statement of financial assets and liabilities reflects cash and cash equivalents balance of Kshs.107,553,794 comprising Kshs.55,846,302 CBK Account no. 1000197056, Kshs.22,151,865 for recurrent Account no. 10001970048, Kshs.29,498,136 for Deposit Account no. 1000416308, Kshs.56,369 for National Bank of Kenya account no. 01020212740800 and Kshs.1,122 for Cooperative Bank Account No. 01141327553600. However, the balances were not supported with cashbooks, bank reconciliations and bank statements, certificate of bank balances and board of survey report.

In the circumstances, the completeness and accuracy of the cash and cash equivalents balance of Kshs.107,553,794 as at 30 June, 2021 could not be confirmed.

327. Unsupported Domestic Travel & Subsistence

The statement of receipts and payments reflects use of goods and services expenditure of Kshs.181,970,435 which includes domestic travel and subsistence allowance of Kshs.114,238,325 as disclosed in Note 5 to the financial statements. Examination of the expenditure records relating to domestic travel and subsistence expenses for sampled vouchers amounting to Kshs.46,665,843 revealed that subsistence allowance was paid to staff and Members of the County Assembly for various activities without issuing temporary imprests and supporting documents such as work tickets, reports and attendance sheets were not provided. This is contrary to Regulation 104(1) of the Public Finance Management (County Governments), Regulation, 2015 which requires all receipts and payment vouchers of public moneys to be properly supported by pre-numbered receipt and payment vouchers and shall be supported by the appropriate authority and documentation.

In the circumstances, the completeness of the daily subsistence allowances of Kshs.46,665,843 paid to the members and staff could not be confirmed.

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328. Acquisition of Assets

328.1 Proposed Construction of Buildings-Modern County Assembly Chambers, Offices, and Auxiliary

The statement of receipts and payments reflects acquisition of assets of Kshs.40,765,660 includes construction of buildings of a Modern County Assembly expenditure of Kshs.36,183,745 as disclosed in Note 10 to the financial statements. However, the following anomalies were noted:

(i) The payments were not supported by an original interim payment certificates or certificate of payment on account except for payment voucher number 60000160 contrary to Section 34.1 of the contract agreement.

(ii) Payments for the interim certificates were made in piece meal and supported by copies of payment certificates which poses a risk of overpayment. A schedule of all the payment certificates raised and payments made against each certificate was not provided and therefore it was not possible to establish the total payments made as at 30 June, 2021.

(iii) The payments were not supported by actual valued works being paid for and supporting schedules for the expenditure provided were for Kshs.36,183,746 whereas documents provided supported an expenditure of Kshs.51,746,976 resulting to a variance of Kshs.15,563,230.

(iv) An amount of Kshs.100,000,000 was provided for in the budget for the construction of the building but only Kshs.36,203,904 was received. It is not clear why full funding as budgeted was not received and there was no evidence provided to indicate that the funds were requisitioned from the Controller of Budget or any plausible reasons provided for the underfunding.

(v) The contractor through letter dated 25 September, 2021 ref SCC/Nandi/94 gave a notice of slowing down the works due to delayed payments.

(vi) As at the time of our audit the project was approximately 70% complete and there is a risk of stalling if more funds are not obtained for its completion.

Consequently, the accuracy of the construction of building figure of Kshs.36,183,746 for the year ended 30 June, 2021 could not be confirmed.

328.2 Anomalies in the Summary of Fixed Asset Register

Annex 4 to the financial statement reflects a summary of fixed assets owned by the County Assembly valued at Kshs.520,752,868 as at 30 June, 2021. Included in the summary of fixed assets is transport equipment of Kshs.72,275,800 which includes a Toyota Prado reg. 29CG059A valued at Kshs.9,270,392 with a status of not in use. Further, a Peugeot vehicle registration number KAM 034T was included in the asset register without the cost of acquisition. In addition, included in the historical cost balance of Kshs.520,752,868 is land, buildings and structures and transport equipment totalling Kshs.27,000,000, Kshs.360,830,985 and Kshs.72,275,800 respectively, which was not supported by ownership documents.

In view of the foregoing, it was not possible to ascertain the accuracy of the total assets held by the County Assembly as at 30 June, 2021.

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Other Matter

329. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.649,760,252 and Kshs.608,020,510 respectively resulting to an under-funding of Kshs.41,739,742 or 6% of the budget. Similarly, the County Assembly spent Kshs.564,578,141 against an approved budget of Kshs.649,760,252 resulting to an under-expenditure of Kshs.85,182,111 or 13% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

330. Pending Bills

Annex 1 to the financial statements reflects pending accounts payables balance of Kshs.20,373,944 as at 30 June, 2021. Included in the pending bills balance are payments which should have been paid as a first charge in 2014/2015 and 2015/2016 financial years but were still outstanding as at 30 June, 2021 contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015. In addition, accumulation of pending bills is contrary to The National Treasury Circular Ref AG 3/101/75 which requires Accounting Officers to establish effective financial controls and maintain financial discipline for efficient use of resources.

Consequently, Management was in breach of the Treasury Circular No 10/2020 of 16 June, 2020 Ref DGIPE/A/80 which required Accounting Officers to ensure pending bills are treated as a first charge on their 2020-2021 financial year approved budget.

331. Late Receipt of Exchequer Issues and Variances in the Receipts

The statement of receipts and payments reflects exchequer releases totalling Kshs.666,356,121 which included recurrent exchequer of Kshs.608,020,510 and development exchequer of Kshs.58,335,611, as disclosed in Note 1.1 and 1.2 to the financial statements. However, two development exchequer releases of Kshs.10,000,000 and Kshs.12,131,707 totalling to Kshs.22,131,707 were received on 9 July, 2021 while recurrent exchequer release of Kshs.33,044,554 was received on 1 July, 2021.The late receipt of exchequer therefore made the funds not readily available to the County Assembly for operations before 30 June, 2021.

In the circumstance, the value for money on the planned activities and operations as budgeted could not be confirmed.

332. Unresolved Prior Year Audit Matters

Several issues were raised in the audit report for 2019/2020 financial year. However, no report or recommendations from the County Assembly Management and oversight bodies were submitted for audit verification and clearance. Further, the issues remain unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require accounting officers designated for county government entities to try to resolve any issues resulting from an audit that remain outstanding.

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Basis for Conclusion

333. Compensation of Employees

333.1 Non-Compliance on Wage Bill

The statement of receipts and payments for the year ended 30 June, 2021 reflects compensation of employees' amount of Kshs.368,248,232 which is approximately 55% of the total revenue of Kshs.666,356,121. The expenditure therefore exceeded the recommended ratio of 35% under Regulation 25(1) of the Public Finance Management (County Governments) Regulations, 2015.

Consequently, the Management is in breach of the law and the wage bill may not be sustainable unless adequate measures are put in place to contain the rising wage costs.

333.2 Failure to Adhere to the One Third Rule of Basic Pay

Audit review of the County Assembly's payrolls for the year ended 30 June, 2021 revealed that some employees of the County Assembly were receiving net salaries which were less than a third of their respective basic salaries contrary to Section 19(3) of the Employment Act, 2007.

333.3 Failure to Observe One Third Staff Establishment Rule

Audit review of the payroll for the twelve months ended 30 June, 2021 revealed that the County Assembly had a total of eighty-one (81) employees (excluding Members of County Assembly) out of which all the eighty-one (81) or 100% of staff are from the same ethnic community. This is contrary to Section 7(1) an (2) of the National Cohesion and Integration Act, 2008.

333.4 Failure to Implement Staff Performance Appraisal System

Audit review of the County Assembly organizational structure, operations and staff files revealed that there were anomalies as noted below;

(i) There exists a staff establishment, however, gaps were noted as detailed in the table below;

Staff Establishment 2020/2021				
Job Group	**Designation**	**Authorized Establishment**	**In Post**	**Variance**
S/12	Clerk of County Assembly/Secretary, CASB	1	1	0
R/11	Deputy Clerk/Directors	5	3	-2
Q/10	Principal Officers (Heads of department)	4	1	-3
P/9	Senior Officer	13	13	0
N/8	Officer I	22	17	-5
M/7	Officer II	10	5	-5
L/6	Officer III	15	12	-3

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Staff Establishment 2020/2021				
Job Group	**Designation**	**Authorized Establishment**	**In Post**	**Variance**
K/5	Assistant I	12	6	-6
J/4	Assistant II	8	11	3
D, E, G, H/2/3	Attendants	10	13	3
	Contractual staff /Casuals	0	2	2
	Total	**100**	**84**	**(16)**

(ii) There was no evidence that human resource plans to support achievement of goals and objectives in the Strategic Plans had been prepared during the year under review. In the absence human resource plans the County Assembly Service Board may not be able to develop an annual recruitment plan to enable it plan to fill the vacancies in the table above.

(iii) There was no evidence that a County Assembly Service Board Performance Management Steering Committee had been constituted and in operation during the year under review.

(iv) There was no evidence that a performance management plan to evaluate performance has been designed and that a staff performance appraisal exercise has been conducted. As a result, annual performance reports were not prepared during the year under review.

(v) Development of departmental work plans which includes departmental priority objectives from which individual performance targets would have been derived and setting of performance targets has not been done.

(vi) During the year under review, the County Assembly did not have staff training and development plans. As a result, staff trainings were conducted without the requisite staff training and development plans (where every staff member was expected to indicate at least one training goal to be achieved in the reporting period as agreed with the Supervisor), as required by Section C.6(1) to (4) of the County Assembly Human Resource Manual (October, 2015).

In the circumstances, Management was in breach of the law.

333.5 Operational Costs for Members of the County Assembly Ward Offices

The statement of receipts and payments reflects compensation of employees of Kshs.368,248,232 as disclosed in Note 4 to the financial statements. Included in this amount is Kshs.26,210,000 paid out as salaries and rent to partisan staff operating the offices of the thirty-nine (39) Members of the County Assembly.

However, the advertisements for recruitment of ward office staff indicating the requirements and competencies records relating to vacant posts such as applications, shortlisting of candidates, interviews conducted, and selection of successful candidates were not presented for audit verification.

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In addition, the rental payments were not supported by lease agreements signed between the County Assembly and the landlords for the ward offices. Further, the ward offices expenses were not supported with relevant documentation such as invoices, receipts and payment certificates. Imprest surrender warrants for these expenses have also not been provided for audit review.

It was also noted that a member of staff stationed at the Terik ward office has filed a suit at the Senior Principal Magistrate's court at Kapsabet (Employment and Labour Cause No. E012 of 2021) seeking damages for wrongful dismissal.

In the circumstances, regularity and validity of the expenditure amounting to Kshs.26,210,000 on personnel emoluments for the ward office staff and related expenses could not be confirmed.

333.6 Processing of Salaries Outside the Integrated Personnel and Payroll Database (IPPD)

Review of the payroll revealed that included in the balance of compensation of employees for the year ended 30 June, 2021 of Kshs.368,248,232 is an amount of Kshs.5,428,815 paid as wages outside the Integrated Personnel and Payroll Database (IPPD). No plausible explanation was provided by management for operating the manual payroll.

In the circumstances, existence of effective controls or payroll system could not be confirmed.

334. Use of Goods and Services

334.1 Grounded Vehicle No. 29 CG 059A

The statement of receipts and payments reflects use of goods and services amount of Kshs.181,970,435 as disclosed in Note 5 to the financial statements which includes insurance costs of Kshs.19,324,738. However, review of the insurance expenses revealed that the County Assembly had a motor vehicle Toyota Prado Registration No. 29 CG 059A whose original cost was Kshs.10,494,000 and the cost as per the valuation report was Kshs.9,000,490 which had been grounded for two years. The vehicle valuation and inspection report dated 20 August, 2021 from the Ministry of Transport, Infrastructure, Housing and Urban Development indicated that the vehicle is serviceable. However, it could not be determined why the vehicle has been grounded for the last two years. Further, since the vehicle is not insured, in case of any eventualities, it was not possible to determine who will bear the loss.

In the circumstances, the County Assembly of Nandi may not get value for money for the grounded vehicle.

334.2 Late Remittance of Statutory Deductions

The statement of receipts and payments reflects compensation of employees of Kshs.368,248,232 as disclosed in Note 4 to the financial statements. Included in the compensation of employees' amount, are statutory deductions towards KRA, NHIF, NSSF, LAPTRUST and LAPFUND totalling Kshs.46,999,725 were remitted after the due date, in contravention of the Income Tax (PAYE) Rules, NHIF Act, NSSF Act and the RBA Act.

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In the circumstances, Management was in breach of the law.

335. Failure to Prepare Budget and Financial Statements of the County Assembly Public Service Board

The County Assembly Services Board did not prepare and submit the financial statements for the year ended 30 June, 2021 to the Office of the Auditor-General contrary to Section 32(1) and 32(2) (a) of the County Assembly Services Act, 2017.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

336. Unsupported Committees' Sitting Allowances

The statement of receipts and payments for the year ended 30 June, 2021 reflects compensation of employees' figure of Kshs.368,248,232. Included in this figure are personal allowances paid as part of salary amounting to Kshs.171,506,851 which includes sitting allowances figure of Kshs.6,585,100. An inspection of attendance registers and minutes for committee meetings revealed cases where attendance registers were not signed. Further, there were instances where the dates of committee meetings were not indicated in the attendance registers, minutes of the meetings were not signed and some of the attendance registers were left open such that entries could be made later. In addition, the calendar/schedule of committee meetings were not provided for audit review.

In view of these omissions, the effectiveness of internal controls and overall governance in the County Assembly of Nandi could not be confirmed.

337. Lack of ICT Controls and Data Centre Environment

Review of the County Assembly's ICT environment revealed that there was an ICT Policy document in place. However, an ICT security policy and disaster recovery plans had not been developed or spelt out in the ICT policy. Further, formally documented and approved processes to manage system changes and upgrades made to the existing ICT systems are also not in place. The County Assembly also lacks an ICT Steering Committee and an ICT Strategic Plan.

A review of the ICT Data Centre room also revealed lack of an access control system to restrict and monitor access to the server room, lack of air conditioning equipment and lack of an environmental monitoring system to monitor the humidity and temperature in the data centre. The existing closed-circuit television (CCTV) system has also not been extended to the Data Centre.

As a result, there is a risk of data loss or prolonged downtimes in the event of a disaster or equipment hardware failure.

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338. Lack of Risk Management Strategy

The following deficiencies were noted on the County Assembly's risk management strategy:

(i) The County Assembly did not have an approved budget for internal audit for the year under review to enhance organizational independence as required under International Professional Practice Framework (IPPF) for Internal Auditing Standards, which were approved for adoption and application by the Public Sector Accounting Standards Board, in Paragraph 3.1 of the Kenya Gazette Notice No.5440, Vol. CXVI – No.94, dated 8 August, 2014.

(ii) There was no documentary evidence provided to confirm that the internal audit workplan for 2019/2020 was risk based as required by the IPPF Standard No.2010.

(iii) As reported previously, the County Assembly did not have a risk management policy, disaster recovery plan and a Public Finance Management Standing Committee during the year under review as required under Sections 18, 19 and 158(1) of the Public Finance Management (County Governments) Regulations, 2015.

(iv) Further, there were no internal audit reviews and no audit committee assurance on the integrity of the County Assembly's financial information, its system of governance, risk and internal controls, as well as legal and ethical conduct of management and employees; and

(v) There was no documented independent review of the financial statements to confirm the integrity and transparency of the financial reporting process as required under Paragraph 3.2 of Kenya Gazette Notice No.2690, Vol. CXVIII – No. 40 dated 15 April, 2016.

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REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

339. Inaccuracies in the Financial Statements

The financial statements prepared and presented for audit had the following anomalies;

i. The statement of cash flows reflects increase in accounts receivables - outstanding imprests amounting to Kshs.292,500 which differs with the recomputed amount of Kshs.249,700 from the statement of financial assets and liabilities resulting to an unexplained variance of Kshs.42,800.

ii. The statement of cash flows reflects nil balance for cash and cash equivalents at the beginning of the year which differs with the cash and cash equivalents comparative balance of Kshs.3,244,031 shown in the statement of financial assets and liabilities.

iii. The statement of cash flows reflects cash and cash equivalents at the end of the year amounting to Kshs.528,602 while the statement of financial assets and liabilities reflects cash and cash equivalents balance of Kshs.236,102. The variance of Kshs.292,500 was not reconciled.

iv. Annex 2 to the financial statements reflects summary of fixed assets register which includes transfers totalling to Kshs.91,642,679 which were not supported with valuation reports.

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

340. Unexplained Variance for Compensation of Employees

The statement of receipts and payments reflects compensation of employees' expenditure amounting to Kshs.375,725,671 as disclosed in Note 2 to the financial statements. However, review of the payroll records provided for audit showed payroll balances of Kshs.349,031,600 resulting to an unreconciled variance of Kshs.26,694,071.

Further, review of documents provided for audit indicated that the Assembly had an automated Integrated Payroll and Personnel Database (IPPD) system. However, the monthly payrolls were prepared outside the system using Microsoft excel. Further, the monthly payrolls showed that twelve (12) employees employed between April to July, 2020 were not included in the IPPD database and were paid salaries and pension contribution was deducted outside the payroll.

In the circumstances, the accuracy and completeness of compensation of employees expenditure amounting to Kshs.375,725,671 could not be confirmed.

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341. Irregular Domestic Travel and Subsistence Allowances

The statement of receipts and payments reflects use of goods and services expenditure amounting to Kshs.277,389,736 which includes domestic travel and subsistence expenditure of Kshs.155,068,758 as disclosed in Note 3 to the financial statements. Included in the domestic travel and subsistence expenditure is an amount of Kshs.2,007,000 which was paid to Officers while in Kabarnet attending committee sittings and signing captain orders at the County Assembly cafeteria.

In the circumstances, the regularity of domestic travel and subsistence expenditure of Kshs.2,007,000 could not be confirmed.

342. Irregular Payments to Society of Clerks-at-the-Table and County Assemblies Forum

The statement of receipts and payments reflects use of goods and services expenditure amounting to Kshs.277,389,736 which includes other operating expenses amounting to Kshs.18,120,588 as disclosed in Note 3 to the financial statements. Included in the expenditure are payments totalling Kshs.4,750,000 comprising of Kshs.750,000 and Kshs.4,000,000 to the Society of Clerks-at-the-Table and County Assemblies Forum for membership and subscription, respectively. However, the expenditure was not budgeted for and there was no legal provision for the payment. Further, there was no documentary evidence such as official receipts to confirm that the payments were received by the respective organizations.

In the circumstances, the regularity of other operating expenses amounting to Kshs.4,750,000 could not be confirmed.

343. Unreconciled Cash and Cash Equivalents

The statement of financial assets and liabilities reflects bank balances of Kshs.236,102 as disclosed in Note 7 to the financial statements. However, review of the bank reconciliation statements for the recurrent and development bank accounts reflected receipts in cashbooks not in bank statements amounting to Kshs.25,463,735 and Kshs.3,908,281, respectively which were not explained.

In the circumstances, the accuracy and completeness of bank balances of Kshs.236,102 could not be confirmed.

344. Unexplained Variance in Accounts Receivable

The statement of financial assets and liabilities reflects accounts receivables-outstanding imprests amounting to Kshs.292,500 as disclosed in Note 8 to the financial statements. However, the IFMIS imprest register reflects outstanding imprest of Kshs.1,245,100 resulting to an unreconciled variance of Kshs.952,600.

Consequently, the accuracy and completeness of accounts receivables-outstanding imprest balance of Kshs.292,500 as at 30 June, 2021 could not be confirmed.

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345. Construction of Buildings

345.1 Irregular Payment for Proposed Extension of County Assembly of Baringo Offices

The statement of receipts and payments reflects acquisition of assets expenditure amounting to Kshs.21,984,593 as disclosed in Note 6 to the financial statements which includes construction of buildings payments amounting to Kshs.4,515,463 for construction of office block. Review of documents provided for audit showed that the contract for proposed extension of County Assembly offices was awarded to a firm at a contract price of Kshs.40,000,000. However, the contractor had been paid a total of Kshs.45,781,997 including the payment of Kshs.4,515,463 made in the year under review resulting to an overpayment of Kshs.5,781,997 which was not explained.

Further, project verification carried out in the month of October, 2021 revealed that the works were not complete and the project was behind schedule by six (6) years despite the entire contract sum having been paid.

In the circumstances, the regularity of the construction of buildings expenditure amounting to Kshs.4,515,463 could not be confirmed. Further, the Assembly did not receive value for money amounting to Kshs.45,781,997 expended on the project.

345.2 Irregular Payment for Construction of Public Gallery

The statement of receipts and payments reflects acquisition of assets expenditure amounting to Kshs.21,984,593 as disclosed in Note 6 to the financial statements which includes construction of buildings payments amounting to Kshs.8,088,828 made for construction of public gallery.

Review of documents provided for audit showed that the contract for construction of public gallery was awarded to a firm at a contract price of Kshs.26,811,973 with estimated completion date of 13 March, 2020. However, the contractor had been paid a total of Kshs.33,514,383 including the payment of Kshs.8,088,828 made in the year under review resulting to an overpayment of Kshs.6,702,410. It was further noted that the project was still incomplete about twelve (12) months after the lapse of the agreed completion date.

Further, the provisional sum amounting to Kshs.2,000,000 was utilized without approval of the Clerk of the County Assembly based on the recommendation of the evaluation committee.

In the circumstances, the regularity of the construction of buildings expenditure amounting to Kshs.8,088,828 could not be confirmed. Further, the Assembly did not receive value for money amounting to Kshs.33,514,383 expended on the project.

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REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

346. Non - Adherence to One-Third Basic Salary Rule

Review of the July, 2020 to June, 2021 payrolls showed that 113 employees were earning net salaries which were less than one third of their basic salary contrary to Section 19(3) of the Employment Act, 2007. The law requires that the total amount of all deductions which may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of the basic pay.

In the circumstances, Management was in breach of the law.

347. Non-Compliance on Ethnic Composition

Analysis of the County Assembly's payroll showed that 81% of the total 160 staff were from one dominant ethnic community contrary to Section 65(1)(e) of the County Governments Act, 2012 which provides that the County Public Service Board shall consider the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.

348. Failure to Procure Using e-Procurement System

The statement of receipts and payments reflects use of goods and services expenditure amounting to Kshs.277,389,736 which includes payments totalling to Kshs.56,544,834 made to various suppliers. However, procurement of the goods and services was not done through e-Procurement module in IFMIS contrary to the Executive Order No.2 of 2018 on procurement of public goods, works and services by public entities Ref. No. OP/CAB39/1A that requires all procurement be undertaken through e-Procurement.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

349. Lack of Risk Management Policy

During the year under review, the County Assembly did not have fire policy, fraud policy and risk management policy in place and therefore had no approved processes and guidelines for mitigation of operational, legal and financial risks.

In the absence of risk management policy, the County Assembly lacked a blue print for identifying, preventing and mitigating against risks.

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REPORT ON FINANCIAL STATEMENTS

Basis for Qualified Opinion

350. Inaccuracies in the Financial Statements

The financial statements for the year ended 30 June, 2021 reflects various amounts and balances which are at variance with other underlying records as outlined below;

350.1 Exchequer Releases Received After Year End

The statement of receipts and payments for the year ended 30 June, 2021 reflects Transfers from the County Treasury/Exchequer releases balance of Kshs.567,592,777 as disclosed in Note 1 to the financial statements. Included in this balance is an amount of Kshs.259,122,660 relating to Exchequer released by The National Treasury to the Laikipia County Assembly for Quarter 4, out of which Kshs.57,619,137, was released and received on 16 July, 2021. The late release of the Exchequer by The National Treasury to the County Assembly caused delays in the use of the resources.

Further, exchequer received on 16 July, 2021 was backdated in the records of the County Assembly as received on 30 June, 2021 contrary to the basis of IPSAS cash reporting framework. This therefore contravened the IPSAS-Cash Basis of accounting and Regulation 97(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the accounts of the County Government entities shall record transactions which take place during a financial year running from the 1 July to 30 June.

Further Regulation 97(4), requires that an actual cash transaction taking place after the 30 June, shall not, however, be treated as pertaining to the previous financial year even though the accounts for that year may be open for the purposes referred to in paragraphs (2) and (3) of this regulation.

Consequently, the delayed Exchequer releases may have affected the County Assembly's ability to implement its planned programmes and possible underutilization of the budget, resulting to negative impact on service delivery to the citizens of Laikipia County.

350.2 Variances Between the Statement of Assets and Liabilities and IFMIS Balances

As reported in the previous year the account balances reflected in the statement of financial assets and liabilities as at 30 June, 2021 are at variance with IFMIS report balances as summarized below;

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Item(s)	Balance as per Financial Statements (Kshs.)	Balances as per IFMIS Reports (Kshs.)	Variance (Kshs.)
Financial Assets and Liabilities			
Accounts Payables	-	293,855,371	(293,855,371)
Net Financial Assets	7,389	(293,847,982)	293,855,371
Fund Balance B/fwd	228,783	(526,813,577)	527,042,360
Prior Year Adjustments	(228,783)	-	(228,783)
Net financial Position	**7,389**	**(526,806,189)**	**526,813,578**

No satisfactory explanations or reconciliations have been provided for the above variances.

350.3 Bank Balances Excluded in the Financial Statements

Statement of financial assets and liabilities as at 30 June, 2021 reflects a balance of Kshs.7,389 in respect to bank balances. Included in this amount is Equity bank account nil balance as reflected in Note 13A to the financial statements. However, the bank reconciliation statement presented for audit review reflected a negative cash book balance of (Kshs.4,421,371) as at 30 June, 2021.

The resulting difference of Kshs.4,421,371 has not been reconciled or explained.

350.4 Misclassification of Expenditure Under Fuel, Oil and Lubricants

The financial statements under Note 5 reflects use of goods and services totalling to Kshs.205,281,015 out of which Kshs.3,287,350 is fuel, oil and lubricants which further includes Kshs.512,600 for domestic travel and subsistence. No satisfactory reasons were provided for not charging domestic travel and subsistence to its correct component account.

In the circumstances, the accuracy and completeness of the respective balances reflected in the financial statements for the year ended 30 June, 2021 could not be confirmed.

Other Matter

351. Under-Expenditure on Transfer to Other Government Entities

The statement of comparison of budget and actual amounts, recurrent revealed that the County Assembly budgeted for Kshs.43,805,696 in respect to transfer to other Government entities against actual expenditure of Kshs.15,500,000 resulting into net under expenditure of Kshs.28,305,696. This is equivalent to 64.6% underutilization.

The under expenditure may have negative effect on implementation of planned activities and service delivery to the citizens of Laikipia.

352. Prior Year Unresolved Issues

In the report of the previous year, several issues were raised under Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Control, Risk Management and Governance. However, although the Management has indicated that some have been

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resolved, the matters remained unresolved as the Senate is yet to deliberate on the Report for 2019/2020.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

353. Non-Compliance with National Social Security Fund Act, 2013

A review of payroll data revealed that NSSF contributions were not deducted and remitted for 43 Members of County Assembly staff, contrary to Section 6(1) of the NSSF (Member Contributions) Regulations, 2014. This law requires that an employer shall pay contributions to the Pension Fund in respect of each employee in his or her employment as prescribed in Section 20 of the Act. The County Assembly is likely to incur penalties and interest for non-compliance.

354. Ethnic Staff Diversity

As similarly reported in the previous year, the total number of employees of County Assembly was ninety-two (92) out of which sixty-six (66) or 71.7% of the total number were from the dominant ethnic community in the county. This contravenes the provisions of Section 65(e) of the County Governments Act, 2012 which requires County Governments to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.

In the circumstances, Management was in breach of the law.

355. Failure to Adhere to a Third Rule on Basic Pay

A review of the County Assembly's payroll revealed that 11 officers had net salaries falling below a third of their basic pay contrary to Section 19(3) of the Employment Act, 2007 which states that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all the deductions which under the provisions of subsection (1), may be made by the employer from the wages of his employee at any one time shall not exceed two thirds of such wages or such additional or any other amount as may be prescribed by the Minister either generally or in relation to specified employer or employee or class of employers or employees or any trade or industry. Management therefore, acted contrary to the law and exposed the staff to the risk of pecuniary embarrassment.

In the circumstances, Management was in breach of the law.

356. Irregular Reallocation of Foreign Travel and Subsistence Funds

Included in use of goods and services of Kshs.205,281,015 as disclosed in Note 5 to the financial statements, is an amount of Kshs.43,799,650 in respect to foreign travel and subsistence. Review of payment vouchers and their related supporting documents revealed that funds totalling Kshs.43,799,650 meant for foreign accommodation, travel and subsistence were charged to domestic travel and subsistence expenses without the requisite request and approval by the County Treasury. This is contrary to Section 154(2)(b) of the Public Finance Management Act,

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2012 which states that an accounting officer for a county government entity may reallocate funds between programs, or between Sub-Votes, in the budget for a financial year, but only if—

(a) provisions made in the budget of a program or Sub-Vote are available and are unlikely to be used;

(b) a request for the reallocation has been made to the County Treasury explaining the reasons for the reallocation and the County Treasury has approved the request; and

(c) the total of all reallocations made to or from a program or Sub-Vote does not exceed ten percent of the total expenditure approved for that program or Sub-Vote.

In the circumstances, Management was in breach of the law.

357. Irregular Reallocation of Refurbishment of Building Funds

Note 10 to the financial statements reflects a balance of Kshs.100,202,342 in respect to acquisition of assets which further includes Kshs.84,707,342 for refurbishment of buildings from which an amount of Kshs.15,934,250 was expended on office furniture and fittings and the Speaker's mace. However, no approval from the County Treasury for the reallocation was provided contrary to Section 154(2) of the Public Finance Management Act, 2012 which states that an accounting officer for a county Government entity may reallocate funds between programs, or between Sub-Votes, in the budget for a financial year, but only if:-

(a) provisions made in the budget of a program or Sub-Vote are available and are unlikely to be used;

(b) a request for the reallocation has been made to the County Treasury explaining the reasons for the reallocation and the County Treasury has approved the request; and

(c) the total of all reallocations made to or from a program or Sub-Vote does not exceed ten percent of the total expenditure approved for that program or Sub-Vote.

In the circumstances, Management was in breach of the law.

358. Irregular Payment of Ex gratia

Included in the transfers to other Government entities of Kshs.15,500,000 under Note 7 to the financial statements is a donation of Kshs.500,000 indicated as medical ex gratia to a Member of the County Assembly. Review of the expenditure records revealed that the County Assembly had neither a budget line for payment of ex-gratia nor a clear policy on payment of the ex-gratia including limits of assistance to each cadre of staff.

In the absence of a clear policy and approved budget for the Ex gratia payments, the County Assembly made an irregular payment.

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359. Delayed Completion of Ablution Blocks

Note 10 to the financial statements reflects Kshs.100,202,342 being acquisition of assets out of which Kshs.84,702,342 is in respect to refurbishment of buildings which further includes Kshs.21,032,362 for construction of ablution blocks for 14 ward offices. The tender at a unit cost of Kshs.1,950,029 per block was awarded to a contractor at a tender sum of Kshs.27,300,410 for a contract period of 16 weeks from 15 March, 2021 and expected completion date of 12 July, 2021.

A physical verification carried out in the month of October, 2021 on six of the fourteen Ward Offices, approximately fourteen (14) weeks after the contract completion date revealed that five (5) ablution projects in Ngobit, Marmanet, Olmoran, Githiga and Igwamiti Wards were in the final stages of completion. However, the Rumuruti ward office ablution block had not been started. Management explained that the ablution block was substituted with landscaping activities of the ward office which also had not been done at the time of audit. Further, it was not explained how the land scaping activities were procured.

In the circumstances, the contracts and projects seem not to have been properly managed and public funds may not have been utilized for the intended purpose.

360. Irregular Payment of Subscription Fee

The statement of receipts and payments for the year ended 30 June, 2021 reflects under Note 5 payments totalling to Kshs.205,281,015 relating to use of goods and services. Included in this amount are other operating expenses totalling to Kshs.52,588,089 out of which Kshs.5,000,000 was paid out as subscription fees to the County Assemblies Forum (CAF) and the Society of Clerks-at-the Table (SOCATT). However, at the time of payments, neither enabling legislation establishing these bodies nor policies and guidelines for such payments had been enacted and the County Assembly therefore had no basis for making the payments.

In the circumstances, Management was therefore in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

361. Ineffective Internal Audit Unit

Though the County Assembly had an Internal Audit Unit, there was no evidence provided for audit review to ascertain if the County Assembly was subjected to any internal audit review during the year.

In the circumstances, the effectiveness of the County Assembly's internal controls could not be confirmed.

362. Inadequate Documentation on Fuel Consumption

The statement of receipts and payments for year ended 30 June, 2021 reflects under Note 5 payments totalling to Kshs.205,281,015 relating to use of goods and services. Included in this amount is fuel, oil and lubricants totalling to Kshs.3,287,350. However, a review of supporting documents revealed that LPO No. 2353614 amounting to

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Kshs.384,500 and LPO No. 2353634 amounting to Kshs.500,350 all totalling Kshs.884,850 were listed in the fuel register as being fuel spent in the months of September/October and April/May respectively but no payment vouchers were provided for audit. Further, these amounts were not listed as pending bills for the financial year 2020/2021.

In the circumstances, the internal control mechanisms employed by the County Assembly were found to be deficient.

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REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

363. Variance Between Financial Statements and Integrated Financial Management Information System (IFMIS)

A review of balances disclosed in the financial statements and the supporting Integrated Financial Management Information System (IFMIS) ledger balances revealed several variances on components itemized below:

Component	Financial Statements Figure (Kshs.)	Supporting/IFMIS Balance (Kshs.)	Variances (Kshs.)
Exchequer Receipts	1,091,058,398	1,043,645,179	47,423,219
Compensation of Employees	406,525,663	43,616,355	362,909,308
Use of Goods and Services	555,995,473	400,513,812	155,481,661
Social Security Benefits	0	533,388	(533,388)
Acquisition of Assets	116,354,616	85,034,731	31,319,885
Recurrent Bank A/C	1,301,871	88,468,428	(87,166,557)
Development Bank A/C	2,247	46,858,771	(46,856,524)
Deposit Bank A/C	6,576,065	0	6,576,065
Imprest Bank A/C	450,127	0	450,127

In the circumstances, the completeness and accuracy of balances reflected in the financial statements for the year ended 30 June, 2021, could not be confirmed.

364. Receipts After the Cutoff Date

As disclosed in Note 1 to the financial statements, the statement of receipts and payments reflect transfers from County Treasury/Exchequer Releases balance of Kshs.1,091,058,398. However, included in this balance is an amount of Kshs.195,042,377 that was received after the cutoff date of 30 June, 2021. This is contrary to Regulation 97(4) of the Public Finance Management (County Governments) Regulations, 2015 which provides that actual cash transactions taking place after 30 June shall not be treated as pertaining to the previous financial year even though the accounts for that year may be open for end of year procedures and adjustments.

In the circumstances, the accuracy, cutoff and completeness of County Exchequer Releases balance of Kshs.1,091,058,398 for the year ended 30 June, 2021 could not be confirmed.

365. Unsupported Domestic and Subsistence Allowances

As disclosed in Note 3 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.555,995,473 in respect to use of goods and services for the financial year ended 30 June, 2021. The balance includes an amount

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of Kshs.104,743,014 incurred on domestic travel and subsistence out of which Kshs.13,268,300 was in respect of transport allowance claims for MCAs and Staff members that were not supported by way of a policy document.

In the circumstances, the accuracy and completeness of transport allowance claims amounting Kshs.13,268,300 for the year ended 30 June, 2021 could not be ascertained.

366. Rent Payments Not Supported by Lease Agreements

As disclosed in Note 3 to the financial statements, the statement of receipts and payments reflects use of goods and services balance of Kshs.555,995,473. Included in this balance is rentals of produced assets of Kshs.6,051,722 out of which Kshs.1,012,500 was in respect of house rent for the speaker's house. However, no valid tenancy agreement was provided to confirm validity of the rent payments.

In the circumstances, the accuracy and completeness of the rent payments of Kshs.1,012,500 for the year ended 30 June, 2021 could not be confirmed.

367. Unsupported Acquisition of Assets

As disclosed in Note 5 to the financial statements, the statement of receipts and payments reflects acquisition of assets balance of Kshs.116,354,616 which includes an amount of Kshs.11,941,212 that was not supported by relevant procurement records.

In the circumstances, the accuracy and completeness of acquisition of assets costing Kshs.11,941,212 for the year ended 30 June, 2021 could not be confirmed.

368. Payments Made after Closure of the Financial Year

The statement of receipts and payments reflects total payments balance of Kshs.1,088,881,172. However, included in the balance is Kshs.209,000,866 comprising of recurrent expenditure of Kshs.43,858,526 and development expenditure of Kshs.165,142,340 made after the financial year cutoff date of 30 June, 2021 contrary to Regulation 97(4) of the Public Finance Management (County Governments) Regulations, 2015. The regulation provides that actual cash transactions taking place after 30 June shall not be treated as pertaining to the previous financial year even though the accounts for that year may be open for end of year procedures and adjustments.

In the circumstances, the accuracy and completeness of the total payments balance of Kshs.1,088,881,172 for the year ended 30 June, 2021 could not be confirmed.

369. Bank Balances

As disclosed in Note 7 to the financial statements, the statement of financial assets and liabilities reflect bank balance of Kshs.8,330,311. However, supporting certificate of bank balances and the bank reconciliation statements provided for review reflects balances as at 31 July, 2021 a month after the reporting date therefore causing doubt on the validity of the reported bank balance.

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Consequently, the accuracy and completeness of the bank balance of Kshs.3,381,311 as at 30 June, 2021 could not be ascertained.

370. Un-approved Payment of Legal Fees

As disclosed in Note 3 to the financial statement, the statement of receipts and payments reflects use of goods and services balance of Kshs.555,995,473. Included in this balance is an amount of Kshs.19,995,874 in respect of legal fees out of which an amount of Kshs.3,392,800 which was paid without the approval of the Clerk to the County Assembly.

In the circumstances, the authenticity of the legal costs amounting to Kshs.3,392,800 for the year ended 30 June, 2021 could not be ascertained.

Emphasis of Matter

371. Budgetary Control and Performance

The statement of comparison of budget and actual amounts - recurrent and development combined reflect a total receipts final budget of Kshs.1,264,408,526 against actual receipts of Kshs.1,091,058,398 resulting to a shortfall of Kshs.173,350,128 (or 14%). The statement also reflects a final expenditure budget of Kshs.1,264,408,526 against actual expenditure of Kshs.1,088,881,172 resulting to under absorption of Kshs.175,527,354 (or 14%). No explanation has been provided for the fourteen percent (14%) shortfall in funding and a similar rate of under absorption which may have negatively impacted on the planned activities for the year, thus negatively affecting service delivery to the citizens.

372. Anomalies in Pending Accounts Payable

As disclosed in Note 1.4 – Other Disclosures and under Annex 1 to the financial statements is pending accounts payable balance of Kshs.141,900,004. However, the Annex reflects additions of Kshs.191,499,836 which differs with the vote book balance of Kshs.28,863,082 on a comparable basis resulting to unexplained or unreconciled variance of Kshs.126,611,515. Similarly, the Annex reflects an opening balance of Kshs.54,015,682 which differs from the prior year balance of Kshs.279,775,082 also resulting to unexplained variance of Kshs.225,759,400.

In the circumstances, the accuracy and completeness of the pending accounts payable balance of Kshs.141,900,004 as at 30 June, 2021 could not be ascertained.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

373. Excess Transfer to the County Assembly

As disclosed in Note 1 to the financial statements, the statement of receipts and payments reflect transfers from the County Treasury/Exchequer releases balance of Kshs.1,091,058,398 for the year ended 30 June, 2021. This amount exceeds the set threshold of the lower of seven percent (7%) of County revenue or twice the personnel emoluments of that County Assembly whichever is lower. In the year under review,

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the disbursable amount should have been Kshs.916,932,472 instead of the actual amount of Kshs.1,091,058,398 resulting to over disbursements of Kshs.174,125,926 contrary to Regulation 25(1)(f) and (h) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, Management was in breach of the law.

374. Irregular Payments of Casual Wages

The statement of receipts and payments reflects compensation of employees' balance of Kshs.406,525,663 and as disclosed in Note 2 to the financial statements. Included in the balance is Kshs.37,836,416 paid in respect of temporary employees of which Kshs.2,429,180 was incurred on casual wages for the whole year instead of the required three month's period stipulated in Section 37 (b) of the Employment Act 2007 and Section B.16 (1) of the Assembly's Human Resource Manual, 2018, which stipulates that casual workers shall be engaged only on urgent short-term tasks with the approval of the County Assembly Service Board and shall not be engaged for more than three months, as stipulated in the Employment Act, 2007. Further, the respective letters of employment showing their rate of pay, conditions of service, master roll or expected output were not provided for review.

In the circumstances, Management was in breach of the law.

375. Irregular Expenditure on Subscriptions to Professional Bodies

The statement of receipts and payments reflects use of goods and services balance of Kshs.555,995,473 for the year ended 30 June, 2021. Included in this balance is an amount of Kshs.5,898,450 is in respect of subscriptions to professional and trade bodies comprising of Kshs.750,000 to Society of Clerks -At-The Table in Kenya Legislatures (SOCATT) and Kshs.5,000,000 to County Assemblies Forum (CAF) as annual subscription fees. Although the expenditure was budgeted for, there is no existing law or policy in place authorizing the said payments of subscription fees. In addition, no verifiable document was provided for audit review.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

376. Lack of a Risk Management Policy

The County Assembly Management did not provide for review, a risk management policy. This is contrary to Regulation 158(1)(a) and (b) of the Public Finance Management Act (County Governments) Regulations, 2015 which requires the Accounting Officer to develop risk management strategies which include fraud prevention mechanism and internal control that builds robust business operations.

In the absence of a risk management policy, it has not been possible to confirm whether the internal controls built within the financial and operational systems were functioning as intended during the year under review.

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REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

377. Variance between Integrated Financial Management Information System (IFMIS) Data and Financial Statements Balances

A comparison of balances reflected in the financial statements with IFMIS ledger revealed unreconciled variances as indicated below;

Particulars	Financial Statements Balance 30 June, 2021 (Kshs)	IFMIS Balance 30 June, 2021 (Kshs)	Variance (Kshs)
Compensation of Employees	449,516,572	380,155,173	69,361,398
Use of Goods and Services	244,753,858	203,823,698	40,930,160
Transfers to Other Government Entities	60,000,000	0	60,000,000
Acquisition of Assets (Annex 1)	15,574,023	19,003,105	(3,429,082)
Pending Accounts Payables	45,450,446	61,256,950	(15,806,504)
Other grants and transfers	0	750,000	(750,000)
General Provisions	0	148,350,514	(148,350,514)

Further, the statement of receipts and payments reflects Transfers to Other Government Entities expenditure of Kshs.60,000,000 which vary with the general ledger amount of Kshs.60,312,898 resulting to an unreconciled variance of Kshs.312,898.

In the circumstances, the accuracy of the financial statements for the year ended 30 June, 2021 could not be confirmed.

378. Unreconciled Transfers from County Treasury

The statement of receipts and payments reflects a balance of Kshs.769,844,949 in respect of transfers from County Executive. However, the amount is at variance with an amount of Kshs.802,357,799 reflected in the County Executive records resulting to an unreconciled variance of Kshs.32,512,850.

In the circumstances, the accuracy and completeness of the transfer from County Treasury amounting to Kshs.769,844,949 could not be ascertained.

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379. Unsupported Expenditure on Compensation of Employees

The statement of receipts and payments and as disclosed under Note 4 to the financial statements reflects expenditure on compensation of employees of Kshs.449,516,572.

However, analysis of the payrolls for the period revealed that an amount of Kshs.362,752,984 was incurred as employee costs resulting to an unreconciled variance of Kshs.86,763,588.

In the circumstances, the accuracy of compensation of employees expenditure of Kshs.86,763,588 for the year ended 30 June, 2021 could not be confirmed.

380. Undisclosed Bank Balances

As disclosed in Note 13A to the financial statements, the statement of financial assets and liabilities reflects a bank balance of Kshs.1,691. However, review of the bank reconciliation statements for both Recurrent and Development bank accounts revealed the following anomalies:

i. The bank reconciliation statement for Development Account reflects balance as per the bank statement of Kshs.15,574,023 while the certificate of bank balance provided for audit reflected nil balance as at 30 June, 2021 resulting to unreconciled variance of Kshs.15,574,023.

ii. A separate Development account domiciled at the Central Bank of Kenya with nil balance as at 30 June, 2021 was not disclosed in the financial statements. Further, supporting documents such as bank reconciliation statements, certificates of bank balances and cash books were not provided for audit review.

In the circumstances, the accuracy and completeness of the cash and cash equivalent balance of Kshs.1,691 as at 30 June, 2021 could not be confirmed.

381. Unsupported Long Outstanding Payables

Annex 1 to the financial statements reflects pending accounts payable of Kshs.45,450,446 relating to 2019/2020 and earlier years. Management has not provided any explanation for failure to settle the bills as first charge in compliance with Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which prioritize debt payments as a first charge. Further, the documentary evidence in support of pending accounts payable of Kshs.45,450,446 were not provided for audit review.

In addition, contributions to Local Authorities Pensions Trust (LAPTRUST) of Kshs.24,272,287 have not been remitted and hence attracting a monthly interest of 3% amounting to Kshs.70,678,826 as at 30 June, 2021. The amount has not been disclosed as a pending staff payable.

In the circumstances, the accuracy of the accounts payables as at 30 June, 2021 could not be confirmed.

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Other Matter

382. Budgetary Control and Performance

The summary statement of appropriation - recurrent and development combined reflects final budgeted receipts and actual amount on a comparable basis of Kshs.924,790,000 and Kshs.769,844,949 respectively, resulting in an under-collection of Kshs.154,945,051 or 17% of the budget. Similarly, the statement also reflects total expenditure budget of Kshs.924,790,000 against an actual expenditure of Kshs.769,844,453 resulting in overall under-expenditure of Kshs.154,945,051 or 17% of the approved budget.

The underfunding and under expenditure impact negatively on the delivery of services to the residents of Narok County.

383. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given satisfactory explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury and Planning Circular for the year ended 30 June, 2021.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

384. Non-Compliance with One Third Basic Pay Rule

Audit of the County Assembly's monthly payrolls revealed that a total of one hundred and thirty-eight employees (138) employees officers were earning less than a third of their basic pay. This is contrary to Section D22(2) of the County Public Service Human Resource Manual and Section 19(3) of the Employment Act, 2007 which prohibits an employer from deducting from the wages of his employee at any one time not more than two-thirds of such wages.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

385. Lack of a Risk Management Policy

During the year under review, County Assembly did not have a risk Management policy or strategy in place and therefore, had no approved processes and guidelines on how to mitigate operational, legal and financial risks.

In the circumstances, it was not possible to confirm the effectiveness of the County Assembly's risk management system.

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Unqualified Opinion

386. There were no material issues noted during the audit of financial statements of the County Assembly.

Other Matter

387. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparison basis of Kshs.810,759,406 and Kshs.707,366,162 respectively resulting to an under-funding of Kshs.103,393,244 or 13% of the budget. Similarly, the Assembly expended Kshs.706,515,625 against an approved budget of Kshs.810,759,406 resulting to an under-expenditure of Kshs.104,243,781 or 13% of the budget.

Although the underfunding and underutilization were related to the failure by the County Executive and by extension the National Treasury to timely disburse recurrent and development funds to the County Assembly as required, the Assembly Management ought to relook at the budget preparation process with a view to making it as effective and realistic as possible in order to achieve its objective.

388. Pending Accounts Payables

Annex 1 and 3 to the financial statements reflect pending accounts payable of Kshs.32,094,185 and Kshs.19,108,711 respectively which had not been cleared by 30 June, 2021.

Failure to settle bills in the year for which they relate, may adversely affect the implementation of the subsequent year's budgeted programs as the pending bills form a first charge to that year's budget provision.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

389. Payment to Society of Clerks

During the year under review, an amount of Kshs.750,000 charged under operating expenses was paid to the Society of Clerks in respect of membership fees and dues, and subscriptions. However, an examination of records revealed that the Society is not a legally constituted entity.

In the circumstances, Management was in breach of the law.

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REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

390. There were no material issues relating to effectiveness of internal controls, risk management and governance.

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REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

391. Unexplained Variance for Compensation of Employees

The statement of receipts and payments reflects compensation of employees balance of Kshs.342,586,562 as disclosed in Note 4 to the financial statements. However, payroll records provided for review revealed compensation of employees payments totalling to Kshs.321,353,132 resulting to unreconciled cumulative variance of Kshs.21,233,430.

In the circumstances, the accuracy and completeness of the compensation of employees amounting to Kshs.342,586,562 could not be confirmed.

392. Irregular Payment of Domestic Travel and Subsistence Allowances

The statement of receipts and payments reflects use of goods and services balance of Kshs.283,521,746 which includes domestic travel and subsistence allowances amounting to Kshs.148,878,899 as disclosed in Note 5 to the financial statements. However, review of documents provided for audit revealed that payments amounting to Kshs.4,274,500 were made to 61 members of staff and expensed instead of accounting for the same in line with financial regulations as imprest. In addition, no evidence of travel activity in support of the payments was provided. Further, travel payments made to staff and members of County Assembly amounting to Kshs.1,571,500 were not supported by requisitions, approvals, proof of undertaking the activities including outputs, attendance registers and inclusion of activity in the annual workplan.

In the circumstances, the occurrence of domestic travel and subsistence expenditure amounting to Kshs.148,878,899 could not be confirmed.

393. Irregular Payment to County Assembly Forum

The statement of receipts and payments reflects use of goods and services balance of Kshs.283,521,746 which includes other operating expenses amounting to Kshs.18,281,763 as disclosed in Note 5 to the financial statements. Included in the other operating expenses is an amount of Kshs.611,000 paid to County Assembly Forum out of an invoiced amount of Kshs.5,000,000 leaving a balance of Kshs.4,389,000. However, the outstanding subscriptions amounting to Kshs.4,389,000 were not disclosed under pending bills in the financial statements. Further, although Management indicated that members of the County Assembly disputed the decision by the County Assembly Forum to increase the annual subscription from Kshs.2,000,000 to Kshs.5,000,000, a resolution by the County Assembly was not provided.

In addition, the Management did not provide reasons for making payments to County Assembly Forum contrary to Section 37 of the Intergovernmental Relations Act, 2012 which provides that the expenses in respect of structures and institutions established

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under the Act shall be provided for in annual estimates of the revenue and expenditure of the National Government to cater for such expenses.

In the circumstances, the regularity of other operating expenses amounting to Kshs.611,000 could not be confirmed.

394. Unsupported and Inaccurate Acquisition of Assets Expenditure

The statement of receipts and payments reflects acquisition of assets balance of Kshs.26,676,630 which includes refurbishment of buildings and construction of Speaker's residence amounting to Kshs.5,500,000 and Kshs.9,700,000, respectively as disclosed in Note 10 to the financial statements. However, review of documents provided revealed payments amounting to Kshs.1,881,000 were not supported by payment vouchers and other supporting documents. Further, a payment amounting to Kshs.1,957,000 which related to furniture was irregularly charged to refurbishment of buildings. Similarly, payments amounting to Kshs.1,273,440 relating to purchase of supplies of items was charged to acquisition of assets. Both constitute misclassification and unauthorised reallocation of budgets. In addition, IFMIS Bank reconciliation for development account reflected payments in respect of the construction of Speaker's house amounting to Kshs.10,000,000 while the ledger reflects an amount of Kshs.9,700,000 resulting to an unexplained variance of Kshs.300,000. Further, payments in respect of the construction of Speaker's residence were contractual in nature and the payments made to date amounting to Kshs.15,985,660 needed to have some amount withheld as retention to cover for any defects. Although Management indicated they have no retention bank account to hold the cash and that the retention monies were transferred back to the County Treasury, no evidence was provided to show the transfer of the amounts.

In the circumstances, the accuracy and completeness of the acquisition of assets balance of Kshs.26,676,630 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

395. Non-Compliance With the Law on Ethnic Composition

Analysis of the payroll for the month of June, 2021 showed that the Assembly had one hundred (100) employees out of whom ninety-five (95) employees or 95% were from the dominant ethnic community. In addition, the Assembly employed eighteen (18) new employees during the year under review who were all from the same ethnic community. This is in contravention of Section 7(2) of the National Cohesion and Integration Act, 2008, which stipulates that no public establishment shall have more than one third of its staff from the same ethnic community and Section 65(1)(e) of the County Governments Act, 2012 which states that in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.

In the circumstances, Management was in breach of the law.

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396. Over Expenditure on Use of Goods and Services

As disclosed in Note 5 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.283,521,746 in respect to use of goods and services against a budgeted amount of Kshs.270,981,588 resulting to over expenditure of Kshs.12,540,158 or 5% of the budgeted amount. This is contrary to Section 31 (c) of the County Government PFM Regulations 2015 which states that "Budget revenue and expenditure appropriation shall be balanced"

In the Circumstances, Management was in breach of the law.

397. Delayed Completion of Construction of Speaker's Residence

The statement of receipts and payments reflects acquisition of assets balance of Kshs.26,676,630 which includes construction of speaker's residence amounting to Kshs.9,700,000 as disclosed in Note 10 to the financial statements. The Assembly entered into a contract amounting to Kshs.34,595,580 with contract commencement date of 2 August, 2020 and a contract period of 180 days for completion on 28 January, 2020. However, review of project documents provided for audit revealed the following anomalies:

i. The commencement and the completion dates for the project were extended from 6 December, 2019 and 4 June, 2020 respectively without application from the contractor and the approval of the tender committee.

ii. The contractor did not complete the works within the contract period and was granted a further extension for the completion of the contract to 11 March, 2021. The extension was granted when the contract had already lapsed, and the extension was for a longer period than the initial contract period. The contract lapsed for a second time on 11 March, 2021 and there was no other contract extension even though the project was yet to be completed.

iii. The Management had paid a total of Kshs.15,985,660 as at 30 June, 2021 which was equivalent to 46% of the contract sum. However, the status of completion could not be established as no progress review reports were provided for audit.

iv. The project had stalled as at 30 June, 2021, and there was no evidence of contract extension from 31 March, 2021 and amended project implementation plan was not provided for review.

v. The initial performance bond from Equity Bank provided by the contractor expired on 8 September, 2020 and was extended to 17 June, 2021. However, as of 30 June, 2021, there was no effective performance bond in place, and the Management had not initiated the bond realisation process even after the contractor breached the contract.

In the circumstances, the validity and value for money amounting to Kshs.15,985,660 expended on the incomplete project could not be ascertained.

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REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

398. There were no material issues relating to effectiveness of internal controls, risk management and governance.

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REPORT ON THE FINANCIAL STATEMENTS

Unqualified Opinion

399. There were no material issues noted during the audit of the financial statements of the County Assembly.

Other Matter

400. Pending Accounts Payable

Note 1 of other important disclosures to the financial statements reflects pending accounts payables balance totalling Kshs.3,838,789 as at 30 June, 2021. However, the balance excludes Kshs.120,568,388 and Kshs.411,546,463 reflected in the County Assembly and Kenya Revenue Authority i-Tax ledgers respectively. The variances between the three sets of records have not been reconciled.

Although the Management provided correspondences with the Kenya Revenue Authority (KRA) indicating that the County Assembly had been remitting taxes, no explanation was provided why the Assembly tax account and KRA ledger reflected outstanding balances.

In the circumstances, the County Assembly is at risk of incurring interest and penalties due to failure to remit the outstanding taxes.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

401. Over-Commitment of Salary Beyond the Statutory Limit

A review of the Assembly payroll revealed that twenty-one (21) employees received net pay below a third (1/3) of the basic salary contrary to the provisions of Section 19(3) of the Employment Act, 2007 which stipulates that, the deductions made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages.

402. Non-Compliance with the Law on Staff Ethnic Composition

A review of the of personnel records indicated that during the year under review, the County Assembly had a staff composition of fifty-seven (57) employees as at 30 June, 2021 out of which fifty-six (56) or 99% were members of the same dominant ethnic community in the county. This is contrary to Section 65(1) of the County Governments Act, 2012 and Section 7(1) and (2) of National Cohesion and Integration Commission Act, 2008 which states that, all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.

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Basis for Conclusion

403. Lack of Risk Management Policy

Contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015. Management had not established a Risk Management Policy and Strategy. The regulation requires the Accounting Officer to develop risk management strategies that include fraud prevention mechanisms and internal controls that support robust business operations.

Consequently, the procedures and strategies put in place to assess, identify, measure, prioritize and mitigate risks in the County Assembly could not be confirmed.

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Basis for Qualified Opinion

404. Transfers from the County Treasury/Exchequer Releases

As disclosed in Note 1 to the financial statements, the statement of receipts and payments reflects transfers from the County Treasury/Exchequer Releases amount of Kshs.1,101,311,416. However, the financial statements of the County Executive of Kakamega reflects transfers to the County Assembly totalling to Kshs.1,078,519,716 resulting to an unreconciled variance of Kshs.22,791,700.

In the circumstances, the completeness of Exchequer transfer of Kshs.1,078,519,716 could not be confirmed.

405. Other Payments

The statement of receipts and payments reflects other payments amount of Kshs.77,280,000 which as per the records maintained by the County Assembly relates to loan refund for money borrowed from the County Executive of Kakamega. However, the amount was not supported by an analysis or a Note to the financial statements.

In the circumstances, the expenditure of Kshs.77,280,000 reflected in the statement of receipts and payments for the year ended 30 June, 2021 could not be confirmed.

406. Domestic Travel and Subsistence Allowance

As disclosed in Note 3 to the financial statements, the expenditure of Kshs.529,455,551 on use of goods and services includes an amount of Kshs.204,984,106 relating to domestic travel and subsistence allowance. However, this amount differs with the amount of Kshs.154,280,245 reflected in the supporting schedule provided for audit review with a variance of Kshs.50,703,861 which was not explained or supported.

Further, included in the domestic travel and subsistence allowance of Kshs.204,984,106 is an amount Kshs.67,462,251 that was paid directly to individual staff and Members of the County Assembly (MCAs) without proper supporting documents which include attendance registers, invitation letters, workshop programs, notice of meetings, minutes of meetings, venues of the meetings and reports of the meetings.

In the circumstances, the accuracy of the expenditure of Kshs.204,984,106 under domestic travel and subsistence allowance could not be confirmed.

407. Unsupported Expenditure

As disclosed in Note 3 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.529,544,531 under use of goods and services. Review of records provided revealed the following unsupported expenditure:

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407.1 Other Operating Expenses

The use of goods and services amount of Kshs.529,455,550 includes an expenditure of Kshs.32,550,460 relating to other operating expenses, which in addition includes an expenditure totalling to Kshs.3,683,260 which was not supported with payment vouchers and related supporting documents.

407.2 Office and General Supplies

The amount of Kshs.529,455,550 under use of goods and services also includes an expenditure of Kshs.110,409,272 relating to office and general supplies and services, which in addition includes an expenditure of Kshs.32,156,790 whose payment vouchers and related supporting documents were not provided for audit review.

Further, included in the expenditure of Kshs.110,409,272, is an amount of Kshs.3,572,000 that was incurred in conducting training. The payment was in respect to; Kshs.1,716,000 for training of Finance, House Leadership and Budget and Appropriation Committee on legal framework of public participation and Kshs.1,856,000 for capacity building for Members of the County Assembly and staff. However, the payment of Kshs.1,856,000 was not supported with the local purchase order, signed list of participants and evidence that the trainings actually took place.

407.3 Fuel, Oil and Lubricants

The expenditure of Kshs.529,455,530 on use of goods and services further includes an expenditure of Kshs.4,516,171 relating to fuel, oil and lubricants which was not supported with payment vouchers and related supporting documents.

407.4 Hospitality Supplies and Services

The expenditure of Kshs.529,455,530 on use of goods and services further includes an amount of Kshs.69,291,533 relating to hospitality supplies and services. Included in the latter balance is an expenditure totalling Kshs.9,765,000 incurred on purchase of bottled water which was not supported with requisitions, quotations and goods received notes. Further, the amount of Kshs.69,291,533 includes an expenditure amounting to Kshs.14,957,206 paid to various facilities on account of catering and conference services. However, the expenditure was not supported with the invitation letters, attendance registers, workshop programmes, notices of meetings and committee reports.

407.5 Fumigation Services

The use of goods and services amount of Kshs.529,455,550 further includes an expenditure of Kshs.2,563,075 relating to specialized materials and services which in addition includes an amount of Kshs.1,980,000 incurred on fumigation and rodent killing services in the County Assembly's offices and ward offices. However, the contract agreement and inspection and acceptance report were not provided for audit review.

In the circumstances, the accuracy and validity of the use of goods and services balance of Kshs.529,455,550 could not be confirmed.

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408. Unaccounted for Expenditure on Covid-19 Preparedness

The statement of receipts and payments reflects an expenditure of Kshs.529,455,550 in respect to use of goods and services which, as disclosed in Note 3 to the financial statements, includes an amount of Kshs.204,984,106 relating to domestic travel and subsistence, out of which, Kshs.22,792,000 was paid as sitting allowances to Members of the County Assembly (MCAs) for Covid-19 related meetings.

The County Assembly approved and constituted three Ad-Hoc Committees to oversight on Covid-19 related activities, programs and measures put in place by the County Government and County Emergency Response Committee to mitigate the effects of Covid-19 pandemic. These Committees were: Committee on Emergency Fund Oversight, Committee on Covid-19 Surveillance and Committee on Covid-19 Sensitization.

Each of the Committees was to have not more than 30 members and not less than 29, as provided for under Standing Order No.152(2). The Committees were to last for a period of three months with effect from the date of establishment and were required to submit reports every fortnight. However, the following observations were made:

i. Records provided indicate that some meetings were conducted at Ebunangwe Resort in Vihiga County, Kakamega Sports Club and Ciala Hotel in Kisumu, which are outside the precincts of the County Assembly. No evidence was provided as an indication that there was authority from the Speaker to hold the meetings outside the Assembly's precincts.

ii. The payments were not supported with attendance lists of Members who attended the meetings, programs of the activities carried out during the period, including the particular Wards or places visited within the County and progress reports of the Committees.

Consequently, the accuracy and propriety of the expenditure amounting to Kshs.22,792,000 incurred as sitting allowance for Covid-19 related activities and meetings could not be confirmed.

409. Accuracy of the Cash and Cash Equivalents

The statement of financial assets and liabilities as at 30 June, 2021 reflects a cash and cash equivalents balance of Kshs.27,959 which, differs from the balance of Kshs.(9,613,493) reflected in the cash book. In addition, review of the bank statement reflects payments in bank and not in the cash book totalling to Kshs.833,150. No explanation was provided for failure to update the cash book.

Further, the bank reconciliation statement for the month of June, 2021 reflects receipts in cash book not in bank statements totalling Kshs.2,342,900, which were indicated as direct payments.

However, Management did not provide explanations on why the receipts had not been credited in the bank account six months later.

In addition, the bank reconciliation statement for the Central Bank of Kenya account provided for audit review was prepared as at 30 July, 2021 instead of 30 June, 2021.

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In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.27,959 could not be confirmed.

410. Accounts Receivables and Accounts Payables

The statement of financial assets and liabilities reflects balances of Kshs.17,117,904 and Nil balance under accounts receivables and accounts payables respectively. However, the balances were not supported by way of Notes to the financial statements, contrary to the provisions of International Public Sector Accounting Standards (IPSAS) 1 which requires that all the components in financial statements should be supported by way of Notes.

The Management was therefore in breach of the Accounting Standards.

Other Matter

411. Budgetary Control and Performance

The statement of comparison of budget and actual amounts - recurrent and development combined reflects final revenue budget and actual on comparable basis of Kshs.1,278,945,309 and Kshs.1,101,311,416 respectively resulting to under-funding of Kshs.117,633,893 or 14% of the budget. Similarly, the Assembly expended Kshs.1,123,902,983 against an approved budget of Kshs.1,278,945,309 resulting to under-expenditure of Kshs.155,042,326 or 12% of the budget.

Further, the statement indicates that the County Assembly had a budget of Kshs.50,000,000 under the development vote but did not receive any amount under the vote. No explanation was provided for the failure to have the budgeted funds disbursed by the County Executive of Kakamega, as a result of which, approved development projects and programmes were not implemented. The Management ought to relook at the budget preparation process with a view to making it as effective and realistic as possible in order to benefit the residents of Kakamega County.

412. Late Disbursement of Exchequer Releases

The statement of receipts and payments reflects transfers from the County Treasury/Exchequer releases totalling to Kshs.1,101,311,416 out of which Exchequer releases amounting to Kshs.266,734,191 were received on 30 June, 2021 and in July, 2021 after the closure of the financial year.

In the circumstances, the County Assembly operations and projects may not have been implemented within the required period.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

413. Failure to Adhere to the One-Third Basic Pay Rule

Analysis of the County Assembly's payroll revealed that during the year under review, 22 members of staff received salaries below one third of their basic salaries. This is contrary to Section 19(3) of the Employment Act, 2007 which provides that the total

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amount of all deductions made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

In the circumstances, Management was in breach of the law.

414. Staff Ethnic Diversity

Analysis of the County Assembly's Integrated Personnel and Payroll Database (IPPD) for the year ended 30 June, 2021 revealed that the County Assembly had 92 members of staff as at that date, out of which, 89 (or about 97%) were from the dominant local ethnic community. This is contrary to Section 65(1)(e) of the County Governments Act, 2012, which provides that at least thirty percent (30%) of the staff establishment in a County Government be filled by staff from communities other than the dominant local community in that County.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

415. Failure to Maintain Information Technology (IT) Systems and Controls

The following weaknesses were observed during a review of information technology system and controls:

i. The County Assembly does not have an accounting system to assist in managing financial and procurement operations, including IFMIS (Integrated Financial Management Information System) and internet banking.

ii. The County Assembly does not also have a disaster recovery plan to enable recovery of information or a backup and retention strategy for its information.

iii. The Assembly does not have an approved IT security policy, strategic plan or an IT steering committee.

iv. The Assembly does not also have environmental controls such as fire suppression systems, fire extinguishers and air conditioning systems.

As a result, effectiveness of the IT systems and security of data could not be confirmed, contrary to the provisions of Section 149(2)(c) of the Public Finance Management Act, 2012, that requires an Accounting Officer to ensure that all financial and accounting records that the entity keeps in any form, including in electronic form are adequately protected and backed up.

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Basis for Qualified Opinion

416. Variances Between Financial Statements and IFMIS Balances

The statement of receipts and payments reflects total payments amounting to Kshs.632,904,240 while the IFMIS payment report reflects an amount of Kshs.648,186,743 resulting to an unreconciled and unexplained variance of Kshs.15,282,503.

In the circumstances, the accuracy of the financial statements for the year ended 30 June, 2021 could not be confirmed.

417. Transfers from the County Treasury/Exchequer Releases

As disclosed in Note 1 to the financial statements, the statement of receipts and payments reflects transfers from the County Treasury/Exchequer Releases amount of Kshs.623,812,571. However, the financial statements of the County Executive of Vihiga reflects transfers to the County Assembly totalling to Kshs.649,778,651 resulting to an unreconciled variance of Kshs.25,966,080.

In the circumstances, the accuracy of the transfers from the County Treasury/Exchequer Releases balance of Kshs.623,812,571 could not be confirmed.

418. Unsupported Transfers to Other Government Entities

The statement of receipts and payments reflects transfers to other Government entities amount of Kshs.16,892,521 which as reflected in Note 5 to the financial statements includes an amount of Kshs.530,610 as transfer to development account. However, the supporting documentation in respect of the transfer was not provided for audit review.

In the circumstances, the accuracy of the financial statements for the year ended 30 June, 2021 could not be ascertained.

419. Irregular Payments to County Assemblies Forum and SOCATT

As disclosed in Note 4 to the financial statements, the statement of receipts and payments reflects use of goods and services expenditure totalling to Kshs.227,626,863 which includes other operating expenses amount of Kshs.19,656,496. Included in this expenditure are payments of Kshs.5,000,000 to County Assemblies Forum (CAF) and Kshs.750,000 to Society of Clerks at the Table in Kenyan Legislatures (SOCATT) in respect of annual contributions. However, the expenditure was not supported by any legal backing which is contrary to Section 37 of the Intergovernmental Relations Act No. 2 of 2012 which states that the operational expenses in respect of the structures and institutions established in this Act shall be provided for in the annual estimates of the revenue and expenditure of the National Government to cater for the Summit; the Council of County Governors; the Technical

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Committee, Secretariat and the sectoral working group established by the Technical Committee; and the sectoral working groups established by the Council.

In the circumstances, the expenditure of Kshs.5,750,000 for the year ended 30 June, 2021 is irregular and Management contravened the law.

420. Unsupported Cash Payments

As disclosed in Note 4 to the financial statements, the statement of receipts and payments reflects use of goods and services amount of Kshs.227,626,863. Included in this amount is other operating expenses totalling to Kshs.19,656,496 which further includes payments totalling to Kshs.5,562,630 paid to the Clerk of the Assembly in respect of third-party payments.

Further, the domestic travel and subsistence amount of Kshs.135,922,905 which forms part of the use of goods and services expenditure includes payments totalling to Kshs.107,473,762 that was paid to the Clerk of the Assembly and other officers of the Assembly on behalf of others. However, there is no evidence that the money was subsequently paid to the beneficiaries. In addition, no reason was provided for not issuing individual imprests.

In the circumstances, the accuracy of cash payments totalling to Kshs.113,036,392 made in the year under review could not be ascertained.

Other Matter

421. Budgetary Control and Performance

The statement of comparison of budget and actual amounts: recurrent and development combined reflects final revenue budget and actual on comparable basis of Kshs.651,955,167 and Kshs.631,725,707 respectively resulting to under-funding of Kshs.20,229,460 or 3% of the budget. Similarly, the Assembly expended Kshs.632,904,240 against an approved budget of Kshs.651,955,167 resulting to under-expenditure of Kshs.19,050,927 or 3% of the budget which was not explained.

Further, the statement indicates that the expenditure on use of goods and services was overspent by Kshs.4,817,404 above the budget amount of Kshs.222,809,459 while transfers to other Government entities recorded an expenditure of Kshs.16,892,521 against no budget. No approval was provided for incurring an expenditure above the budget amounts and for incurring an expenditure without budgetary allocation. In addition, no evidence of approval of reallocation was provided for audit review.

The Management ought to relook at the budget preparation process with a view to making it as effective and realistic as possible in order to benefit the residents of Vihiga County.

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Basis for Conclusion

422. Long Outstanding Imprest and Officers Holding Multiple Imprests

The statement of financial assets and liabilities reflects accounts receivable balance of Kshs.3,108,733 which includes an imprest balance of Kshs.2,788,733 as disclosed in Note 10 to the financial statements. However, the supporting Annex 4 to the financial statements indicates total outstanding imprest of Kshs.2,781,953 resulting to an unreconciled and unexplained variance of Kshs.6,780. The outstanding imprest balance further includes imprests totalling to Kshs.2,212,772 relating to the period 13-Aug-2016 to 17 December, 2020 which should have been surrendered on or before 30 June, 2021. However, no reason was provided for non-recovery of the same from the officers together with interest at CBK rate as required by Regulation 93(6) of the Public Finance Management (County Government) Regulations, 2015.

Further, the imprest schedule provided revealed that six (6) officers/imprest holders were holding between two to six imprests all totalling Kshs.1,399,661 contrary to Regulation 93(8) of the Public Finance Management (County Government) Regulations, 2015 which states that an imprest holder must surrender the first imprest before being issued with another one.

In addition, analysis of the imprest register revealed that it was not updated and the outstanding imprest balance, purpose and in some instances warrant numbers were not recorded in the register.

In the circumstances, Management was in breach of the law.

423. Irregular Payment of Domestic Travel and Subsistence

The use of goods and services amount of Kshs.227,626,863 includes domestic travel and subsistence amount of Kshs.135,922,905 as disclosed in Note 4 to the financial statements. The domestic travel and subsistence amount of Kshs.135,922,905 in turn includes three payments totalling to Kshs.2,948,400 that were irregularly paid as analysed below:

423.1 Payment of Allowances for Services not Rendered

The domestic travel and subsistence amount of Kshs.135,922,905 includes a payment of Kshs.2,100,000 to the County Assembly Clerk in respect of facilitation of daily subsistence allowance to eleven (11) Members of the County Assembly and ten (10) secretariat staff of the ad-hoc committee to compile a report in Nairobi for eight (8) days between 2 May and 11 June, 2021. The payment was made vide payment voucher no 001155 dated 6 May, 2021 and the meeting is indicated as having been held at the Swiss Lenana Mount Hotel in Nairobi. However, the details of the adhoc committee and the report that was to be compiled was not disclosed and no reason was provided for not holding the meeting at the Assembly Offices or any other facility near the Assembly Offices. In addition, there was no evidence indicating that the MCAs and staff acknowledged receipt of the funds and that they travelled to Nairobi.

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423.2 Doubtful Payment of Allowances for Report Writing

The domestic travel and subsistence amount of Kshs.135,922,905 further includes a payment of Kshs.638,400 to an officer vide payment voucher number 00149 on 18 May, 2021 in respect of facilitation of daily subsistence to nine (9) Members of the County Assembly and seven (7) secretariat staff of Adhoc committee to compile a preliminary report of the collapsed county funeral parlour between 7 May, and 9 May, 2021. However, the venue of the report writing was not stated, and no evidence was provided indicating that the MCAs and staff acknowledged receipt of the said facilitation. Further, there was no evidence that the team moved out of the Assembly premises as motor vehicle work ticket No.N318167 for the vehicle alleged to have been used indicated that the vehicle was in the station during the three days in question.

423.3 Unsupported Payment for Public Participation

The domestic travel and subsistence expenditure also includes a payment of Kshs.210,000 to an officer being imprest for facilitation for transport, internet bundle, plugin for cameras, video transmission, video editing and Salvation Army Band in respect of Bunge Mashinani (Public Participation). The payment was made vide payment voucher No.00758 on 17 December, 2020. According to the imprest request, the officer had requested for an imprest of Kshs.400,000 out of which Kshs.210,000 was issued. However, the payment voucher did not indicate the activities for which the imprest of Kshs.210,000 was approved. In addition, no reason was provided for issuing imprest through a payment voucher. There is also no documentation in support of how the amount of Kshs.210,000 was utilised.

In the circumstances, the propriety of the expenditure of Kshs.2,948,400 included in domestic travel and subsistence for the year ended 30 June, 2021 could not be confirmed.

424. Non-Compliance with One-Third Rule of Employment Act, 2007

Analysis of the payroll data for permanent employees revealed that during the month of August, 2020 one staff earned a net salary that was less than a third of his gross basic salary while in March, 2021 thirty-nine (39) employees earned net salaries that were below one third of their basic salaries. This is contrary to Section 19(3) of the Employment Act, Cap 226 of the Laws of Kenya which states that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

425. There were no material issues relating to effectiveness of internal controls, risk management and governance.

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REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

426. Overpayment of Expenditure on Fuel, Oil and Lubricants

The statement of receipts and payments reflects expenditure of Kshs.368,621,862 under use of goods and services which as disclosed at Note 4 to the financial statements, includes Kshs.2,098,826 relating to fuel, oil and lubricants. An amount of Kshs.1,950,000 was paid to a supplier for fuel consumed by the six (6) County Assembly official vehicles using six (6) fuel cards. However, the transaction reports reflected in the invoice revealed that the actual fuel, oil and lubricants consumed was worth Kshs.1,714,048. No explanation was provided for the overpayment of Kshs.235,952.

In the circumstances, the accuracy of the reported expenditure of Kshs.2,098,826 for fuel, oil and lubricants could not be confirmed.

427. Unsupported Fixed Assets Balance

As previously reported, the summary of non-current assets register at Annex 3 to the financial statements, reflects a historical cost of Kshs.815,341,471 for assets as at 30 June, 2021. However, the County Assembly did not maintain an updated assets register to show the nature, physical location and fair value of the Assembly's assets as required under Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015. The regulation states that an Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

In the circumstances, the accuracy and completeness of the total assets balance of Kshs.815,341,471 as at 30 June, 2021, could not be confirmed.

428. Finance Costs

The statement of receipts and payments reflects finance costs of Kshs.50,699,928 which as disclosed at Note 9 to the financial statements, included Kshs.50,666,809 being tax payments, interest and penalties as a result of demand notice by Kenya Revenue Authority (KRA) following a tax audit.

In the circumstances, appropriate classification and propriety of the expenditure amounting to Kshs.50,666,809 could not be confirmed.

429. Unauthorized Expenditure

Section 149(1)(a) of Public Finance Management Act, 2012 provides that an accounting officer is accountable to the County Assembly for ensuring that the resources of the entity are used in a way that is lawful and authorized. Regulation 53(1) of Public Finance Management (County Governments) Regulations, 2015 further provides the procedure for budget reallocations. However, the Assembly

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incurred over-expenditure of Kshs.23,644,734 on social security benefits and Kshs.50,699,928 on finance costs without the requisite approvals.

In the circumstances, the regularity of the expenditure could not be confirmed.

Other Matter

430. Budgetary Control and Performance

430.1 Budget Under-Absorption

The statement of comparison of budget and actual amounts - recurrent and development combined indicates that the County Assembly had an approved budget of Kshs.1,075,853,601 comprising of Kshs.907,094,971 and Kshs.168,758,630 relating to recurrent and development votes respectively. However, out of the approved budget of Kshs.1,075,853,601, the Assembly incurred actual expenditure of Kshs.960,072,995 or 89%. Additional information indicated that exchequer releases amounting to Kshs.101,263,388, were released to the County Assembly late – in the month of July, 2021

This may have impacted negatively on the implementation of the County Assembly's programmes and on service delivery to the residents of Bungoma County.

430.2 Explanation of Variances between Budget and Actual Amounts

Paragraph 1.7.8 of IPSAS: Financial Reporting under the Cash Basis of Accounting and Section 164(2) (iv) of Public Finance Management Act, 2012 require an entity to provide an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts. However, the explanation for the material differences in the statement of comparison of budget and actual amounts – recurrent and development combined have not been provided.

431. Unresolved Prior Year Audit Matters

As disclosed under the progress on follow up of auditor recommendations section of the financial statements, some of the prior year audit issues remained unresolved as at 30 June, 2021. Management did not provide satisfactory reasons for the delay in resolving the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

432. Procurement of Legal Services

The statement of receipts and payments reflects expenditure of Kshs.368,621,862 under use of goods and services which as disclosed at Note 4 to the financial statements includes Kshs.52,746,242 relating to other operating expenses of which Kshs.7,500,000 was paid to a law firm for provision of legal services. The firm had been engaged to represent the County Assembly in a Court case, at total agreed legal fees of Kshs.18,400,000. However, it was not clear how the law firm was identified as

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the firm was not in the list of firms registered under Section 71 of the Public Procurement and Asset Disposal Act, 2015 to provide legal services to the County Assembly during the year under review.

In the circumstances, it has not been possible to confirm whether value for money was obtained by the County Assembly.

433. Staff Ethnic Diversity

During the year under review, out of the seventy-five (75) employees of the Assembly, sixty-five (65) or 87% were from the local dominant ethnic community. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Commission Act, 2008 which requires all public establishments to represent the diversity of people of Kenya and that no public establishment should have more than one-third of its staff from the same ethnic community.

The County Assembly was, therefore in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

434. Inadequate Information Communication Technology (ICT) Governance and Security Management

During the audit, it was observed that the County Assembly did not have an IT strategic plan, IT security policy and ICT continuity and disaster recovery plans. Further, it was also noted that the main power unit was faulty and was connected to bypass the switch, hence posing a danger to the ICT installations at the server room. The back-up batteries at the server room had also not been serviced since 2016. In addition, the antivirus license and office suite licenses had not been renewed.

In the circumstances, the arrangements to ensure proper IT governance and to properly safeguard the Assembly's ICT infrastructure may not have been adequate. In addition, the Assembly may not be able to continue to provide services in case of a disaster.

435. Failure to Carry Out Risk Assessment

The Assembly had not instituted risk management procedures as required by Section 158 of the Public Finance Management (County Governments) Regulations, 2015, which states that an Accounting Officer shall ensure that a County Government entity develops risk management strategies, which include fraud prevention mechanism, and that the entity develops a system of risk management and internal control that builds robust business operations.

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REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

436. Accuracy of the Financial Statements

436.1 Variances Between the Comparative Balances for Year 2020/2021 and the Audited Balances for Year 2019/2020

Review of the financial statements presented for audit revealed variances between comparative balances reflected in the financial statements for the year under review and the audited financial statements for the year ended 30 June, 2020, as shown below.

Financial Statement	Item	Audited Balances in Year 2019/2020 Kshs.	Comparative Balances in Year 2020/2021 Kshs.	Variance Kshs.
Statement of Receipts and Payments	Social Security Benefits	23,505,412	33,470,919	(9,965,507)
Statement of Receipts and Payments	Acquisition of Assets	114,706,935	104,741,428	9,965,507
Statement of Cash Flows	Social Security Benefits	23,505,412	33,470,919	(9,965,507)
Statement of Cash Flows	Cash and Cash Equivalents beginning of the year	22,813,770	27,300,834	(4,487,064)

In the circumstances the accuracy and completeness of the financial statements could not be confirmed.

436.2 Variances Between Balances in Financial Statements and Supporting Schedules

436.2.1 Compensation of Employees

The statement of receipts and payments reflects a balance of Kshs.404,977,011 in respect of compensation of employees which, as disclosed under Note 2 to the financial statements, includes personal allowances paid as part of salary and personal allowances paid as reimbursements. However, the balances differs with those reflected in the respective supporting schedules as shown below:

Component	Financial Statements Kshs.	Supporting Schedules Kshs.	Variance Kshs.
Personal Allowances Paid as Part of Salary	124,794,548	124,794,048	500
Personal Allowances Paid as Reimbursements	10,497,000	10,499,052	(2,052)
Total	**135,291,548**	**135,293,100**	**(1,552)**

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In the circumstances, the accuracy and completeness of the expenditure totalling Kshs.135,291,548 for the year ended 30 June, 2021 could not be confirmed.

436.2.2 Use of Goods and Services

As disclosed under Note 3 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.293,153,678 in respect to use of goods and services which includes seven (7) expenditure items totalling Kshs.176,268,753 which differs with balances reflected in the respective supporting schedules as shown below:

Component	Financial Statements Kshs.	Supporting Schedules Kshs.	Variance Kshs.
Rental of Produced Assets	3,300,000	2,871,600	428,400
Training Expenses	8,210,734	8,211,248	(514)
Hospitality Supplies and Services	12,404,000	12,508,793	(104,793)
Other Operating Expenses	144,499,553	35,441,257	109,058,296
Routine Maintenance - Vehicles and Other Transport Equipment	2,900,000	2,929,980	(29,980)
Fuel, Oil and Lubricants	1,254,466	1,403,093	(148,627)
Routine Maintenance - Other Assets	3,700,000	3,703,000	(3,000)
Total	**176,268,753**	**67,068,971**	**109,199,782**

The resulting variances have not been reconciled and/or explained.

In the circumstances, the accuracy and completeness of the expenditure totalling Kshs.176,268,753 for the year ended 30 June, 2021 could not be confirmed.

437. Unsupported Expenditure

437.1 Domestic Travel and Subsistence

The statement of receipts and payments reflects Kshs.293,153,678 in respect to use of goods and services which, as disclosed under Note 3 to the financial statements, includes Kshs.68,000,000 in respect to domestic travel and subsistence. The latter balance includes Kshs.3,255,400 paid directly to Members of County Assembly (MCAs) and staff that was not supported with attendance registers, activity reports, imprest warrants and notice of meetings.

437.2 Foreign Travel Expenses

As disclosed under Note 3 to the financial statements, the statement of receipts and payments reflects Kshs.293,153,678 in respect to use of goods and services which includes Kshs.1,851,680 in respect to foreign travel. The latter balance includes

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Kshs.504,655 incurred by two officers while on foreign trips but which were not supported with copies of air tickets and boarding passes.

437.3 Hospitality Supplies and Services

Note 3 to the financial statements reflects Kshs.293,153,678 in respect to use of goods and services which includes Kshs.12,404,000 in respect to hospitality supplies and services. The latter balance includes Kshs.2,031,362 incurred during a report writing retreat held from 03 February, 2021 to 09 February, 2021 but which was not supported with programmes of work, attendance registers, local service order and an invoice.

437.4 Social Security Benefits

The statement of receipts and payments reflects an amount of Kshs.22,795,473 under social security benefits which, as disclosed under Note 5 to the financial statements, relates to Government pension and retirement benefits. However, payment vouchers and related documents for expenditure amounting to Kshs.14,910,564 were not provided for audit review.

In the circumstances, the propriety of the use of goods and services expenditure of Kshs.293,153,676 for the year ended 30 June, 2021 could not be confirmed.

438. Unsupported Prior Year Adjustment

The statement of financial assets and liabilities reflects Kshs.(2,339,722) in respect to prior year adjustment which, as disclosed under Note 11 to the financial statements, comprises of Kshs.(381,019) and Kshs.(1,958,703) relating to bank account balances and receivables respectively. However, no detailed analyses were provided to support the balances.

In the circumstances, the accuracy of the financial statements for the year ended 30 June, 2021could not be confirmed.

439. Cash and Cash Equivalents

The statement of financial assets and liabilities reflects Kshs.6,802,259 in respect to cash and cash equivalents balance as at 30 June, 2021. However, review of respective bank reconciliations for CBK Recurrent, CBK Development and CBK Deposit bank accounts for the month of 30 June, 2021, reflected bank statement balances as at 08 July, 2021, 13 July, 2021 and 12 July, 2021 respectively.

Further, the cash books were not signed by the cashier and verified by a senior officer.

In addition, the cash and cash equivalents balance of Kshs.6,802,259 reflected in the statement of assets and liabilities differs by Kshs.99 from the balance of Kshs.6,802,358 shown under Note 7A to the financial statements.

Consequently, the accuracy of the cash and cash equivalents balance of Kshs.6,803,259 as at 30 June, 2021 could not be confirmed.

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440. Pending Accounts Payable (Pending Bills)

Annexes 1 and 2 to the financial statements reflect Kshs.55,687,703 and Kshs.6,658,259 in respect to pending accounts payable and pending staff payables respectively being pending bills as at 30 June, 2021. No explanation was provided as to why the amounts had not been paid to the suppliers and staff.

Further, the balances have not been disclosed under Notes 1 and 2 on other important disclosures in the financial statements as required by the reporting template.

In addition, had the bills been paid during the year ended 30 June, 2021, the statement of receipts and payments for the year would have reflected a deficit of Kshs.52,344,370 instead of the surplus of Kshs.10,001,592 now shown.

Failure to settle bills in the year to which they relate distorts the financial statements for that year and adversely affects budgetary provisions for the subsequent financial year.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

441. Non-Compliance with One-Third Rule on Salary Deductions

Review of Human Resource records revealed that on average forty three (43) employees earned a net salary of less than a third (1/3) of the basic salary per month contrary to Section 19(3) of the Employment Act, 2007, and Section E.13(1) of the County Human Resource Manual, 2013 which provides that deductions made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

442. There were no material issues relating to effectiveness of internal controls risk management and governance.

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REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

443. Financial Reporting

443.1 Unsupported Adjustments in the Statement of Cashflows

The statement of cash flows for the year ended 30 June, 2021 reflects adjustments for changes in accounts payables during the years 2018/2019, 2019/2020 and 2020/2021 of Kshs.4,174,040, Kshs.6,333,153 and Kshs.4,302,604 respectively all totalling to Kshs.14,809,796. However, Management did not provide for audit verification, documents in support of these adjustments.

Further, the adjustments were not disclosed in accordance with the requirements of International Public Sector Accounting Standards (Cash basis) statements of cash flows for the previous years did not show any restatement of balance as required by IPSAS.

443.2 Inaccuracies in the Financial Statements

The statement of financial assets and liabilities reflects funds balance brought forward balance of Kshs.415,100 while the 2019/2020 audited closing fund balance was Kshs.498,596. Similarly, the statement of cashflows reflects a cash and cash equivalent balance at the end of financial year 2019/2020 of Kshs.498,596 while the cash and cash equivalent at the beginning of 2020/2021 is Kshs.415,100 resulting to an unreconciled variance of Kshs.83,496.

In addition, the cash and cash equivalent balance at the beginning of the year 2020/2021 reflected in the statement of cashflows of Kshs.415,000 varies with the 2019/2020 audited cash and cash equivalent balance of Kshs.10,905,789 reflected in the statement of assets and liabilities. The variance has not been explained.

Consequently, the accuracy of the statement of assets and liabilities and statements of cashflows for the year ended 30 June, 2021 could not be confirmed.

444. Irregular Payments on Domestic Travel

Included in the use of goods and services expenditure of Kshs.294,883,929 is Kshs.109,764,972 relating to domestic travel and subsistence allowances. This amount includes Kshs.5,811,600 in respect of hire of hotel and subsistence allowances to Members of County Assembly and staff undertaking general oversight committee meeting outside the County. This is contrary to The National Treasury Circular No. 20/2015 of 4 November, 2015, that prohibits out of station events to discuss strategy documents, consultants' reports, or for any other assignments that would ordinary be done in local offices.

There was no justification for holding the meeting outside Siaya County as the activity listed could have been held locally.

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In the circumstances, it was not possible to confirm the validity of expenditures of Kshs.5,811,600 as a proper charge to public funds and that value for money was realised.

Other Matter

445. Budgetary Control and Performance

The summary statement of appropriations - recurrent and development combined reflects final revenue budget and actual amounts on comparable basis of Kshs.1,039,314,344 and Kshs.789,587,294 respectively resulting to an under funding of Kshs.249,727,050 or 32% of the budget. Similarly, the County Assembly spent Kshs.789,751,453 against an approved budget of Kshs.1,039,314,344 resulting to an under expenditure of Kshs.249,562,891 or 32% of the approved budget as below:

The under-funding and underperformance affected the planned activities and projects which may have impacted negatively on service delivery to the residents of Siaya County.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

446. Failure to Adhere to Imprest Management System

The use of goods and services figure of Kshs.294,883,929 includes domestic travel and subsistence allowances amount of Kshs.109,764,972 as disclosed in Note 5 to the financial statements. A review of the expenditure reveals that officers were issued with multiple imprests before accounting for previously issued ones totalling Kshs.98,517,964. This is contrary to Regulation 91(1) and Regulation 93(4)(b) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, Management was in breach of the law.

447. Staff Ethnic Composition

Audit review of the payroll for the month of June, 2021 and evaluation of Human Resource records maintained revealed that the Assembly had eighty-nine (89) permanent employees out of whom seventy-eight (78) or approximately 88% were from the dominant community in the region. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008, which stipulates that no public establishment shall have more than one third of its staff from the same ethnic community.

In the circumstances, Management was in breach of the law.

448. Late Remittance of Statutory Deductions

During the year under review, the County Assembly of Siaya incurred an expenditure of Kshs.41,644 and Kshs.208,222 for the payment of interest and penalties respectively all totalling to Kshs.249,866 for delay in remitting pay as you earn (PAYE)

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tax deducted amounting to Kshs.4,164,455 to Kenya Revenue Authority (KRA). In addition, information available indicates that Local Authority Provided Fund (LAPFUND) is also demanding interest of Kshs.3,242,630 from unremitted principal amount of Kshs.162,613 which has accrued over several years and no reason has been provided for the delay in making remittances or for non-payment of outstanding amounts. In addition, the amounts due to LAPFUND have not been included among the pending bills as at 30 June, 2021.

In the circumstances, Management was in breach of the law and may continue to lose public funds through penalties and interest.

449. Irregular Payment to County Assemblies Forum (CAF)

Included under Note. 5 to the financial statements on use of goods and services is other operating expense totalling to Kshs.36,343,225. This amount includes Kshs.5,000,000 paid to the County Assembly Forum (CAF). However, there is no provision in law requiring the activities of the County Assembly Forum to be financed by the County Assemblies.

Consequently, the payment of Kshs.5,000,000 is not a proper charge on public funds.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

450. There were no material issues relating to effectiveness of internal controls, risk management and governance.

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REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

451. Unsupported Borrowing to Fund the County Assembly

The statement of receipts and payments for the year ended 30 June, 2021 reflects total receipts of Kshs.738,793,294 while the total payments amount to Kshs.743,433,824 resulting in a deficit of Kshs.4,640,530. Although the Management indicated that the deficit was financed through borrowing from Car Loan and Mortgage Fund, the documentation in support of authorisation of borrowing to finance the deficit was not provided for audit verification.

In the circumstances, the regularity of the borrowing by the County Assembly could not be confirmed.

Other Matter

452. Pending Accounts Payable

According to Note 14 to the financial statements, the County Assembly had pending accounts payable totalling Kshs.85,781,448 (2020: Kshs.61,160,148) as at 30 June, 2021. Further, Note 14.3 to the financial statements reflects other pending payables balance of Kshs.54,220,993 comprising of amount due to third parties and amount due to car and mortgage of Kshs.4,208,362 and Kshs.50,012,631 respectively. The balance of Kshs.50,012,631 include recoveries of car and mortgage loans of Kshs.44,872,631 relating to 2019/2020 and earlier years that have not been remitted to the County Assembly Car Loan and Mortgage Fund. No explanation has been provided as to why the recovered funds have not been remitted to the Fund.

Failure to settle bills during the year to which they relate to distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

453. Lack of Framework for Financing of County Assemblies Forum (CAF)

The use of goods and services balance of Kshs.314,773,976 includes other operating expenses balance of Kshs.83,569,271 as disclosed in Note 3 to the financial statements. The balance further includes a payment of Kshs.3,500,000 to the County Assembly Forum. The Forum is registered under the societies rules 1968 vide certificate of registration number 42066 dated 17 December, 2013. Although the Funds were budgeted for, there is no provision in law on how the activities of the County Assembly Forum are to be financed.

In the circumstances, lack of framework on financing of County Assemblies Forum casts doubt on the validity of expenditure on the Forum.

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454. Non-Compliance with Law on Ethnic Composition

During the year under review, the total number of County Assembly employees was forty-eight (48) out of which forty (40) or 83% of the total number were members of the same/dominant ethnic community in the County. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community".

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

455. Weak Internal Controls Over Management of Imprest

The statement of receipts and payments for the year ended 30 June, 2021 reflects expenditure on use of goods and services of Kshs.314,773,976 as disclosed in Note 3 to the financial statements. The balance includes expenditure on domestic travel and subsistence of Kshs.119,925,881 which further includes daily subsistence payments to officers of the County Assembly amounting to Kshs.32,094,717. However, the amounts were expensed at the point of payment to various officers instead of accounting for it as imprest to staff and expensed after surrender and proof of undertaking the intended activities. Further, review of the general ledger, revealed that staff were issued with additional imprests before surrender of initial imprest. In addition, supporting documents for activities undertaken were not provided for review. This contravenes Regulation 91(1) and Regulation 93(3) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, Management was in breach of the law.

456. Failure to Provide Oversight Role

The County Assembly's Public Accounts and Investment Committee debated and adopted the audit report of the County Executive of Kisumu County Government for the financial year ended 30 June, 2018 in August, 2021 but the Committee had not yet submitted the report and recommendations to the County Executive for implementation. Further, the County Public Investments Accounts had not yet deliberated on the 2018/2019 and other prior year audit reports, which according to Minute Ref No.13/CAK/HBC/17/8/21 of the House Business Committee dated 24 August, 2021 were still being held by the PAC/PIC Committee. This is contrary to Section 31(1)(a) of the Public Audit Act, 2015 which states that within three months after Parliament or the County Assembly has debated and considered the final report of the Auditor-General and made recommendations, a State Organ or a public entity that had been audited shall, as a preliminary step, submit a report on how it has addressed the recommendations and findings of the previous year's audit.

In the circumstances, Management was in breach of the law.

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REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

457. Cash and Cash Equivalents

As disclosed in Note 9.1.9 to financial statements, the statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.29,685,182 which comprises balances held in the Central Bank of Kenya of Kshs.21,575,928 and a commercial bank of Kshs.8,109,255 as 30 June, 2021. However, the cash book for the account at the commercial bank had a negative balance/overdraft of Kshs.40,556,499 while the bank statement reflected a nil balance as at 30 June, 2021.

Further, review of records relating to the commercial bank account indicated that it was overdrawn contrary to Section 119(4) of the Public Finance Management Act, 2012 which states that an Accounting Officer for a County Government entity shall not cause a bank account of the entity to be overdrawn beyond the limit authorized. No explanation was provided for this anomaly.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.29,685,182 as at 30 June, 2021 could not be confirmed.

458. Unsupported Exchequer Releases

As disclosed in Note 9.1.1 to the financial statements, the statement of receipts and payments reflects exchequer releases/transfers from County Treasury of Kshs1,072,516,376. Included in this amount is a receipt of Kshs.148,521,424 which was not supported by way of a requisition, bank statement or approval by the Controller of Budget.

Consequently, the accuracy and completeness of the exchequer releases of Kshs.1,072,516,376 could not be confirmed.

459. Compensation of the Employees

459.1 Unsupported and Irregular Payment of Allowances

As disclosed in Note 9.1.3 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.466,204,339 in respect of compensation of employees. Included in the expenditure is an amount of Kshs.6,345,573 relating to personal allowances paid as reimbursements out of which Kshs.1,236,000 and Kshs.875,000 were paid to twelve (12) members of staff as honoraria and police officers as top up allowances, respectively. However, the payments were not supported by signed payees' schedules.

In addition, the following irregularities were noted:

i. The honoraria and police top up allowances are not provided for in the Human Resource Policy Manual for the County Assembly.

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ii. The police officers top up allowances of Kshs.875,000 were irregularly channeled through a firm of advocates as legal fees owed for a case between the Hon. Speaker and the County Assembly Public Service Board under unexplained circumstances. Further, no plausible explanation was provided for diverting the allowance to payment of legal fees.

In the circumstances, the accuracy, completeness and propriety of the expenditure totalling Kshs.2,111,000 charged to personal allowances paid as reimbursements could not be confirmed.

459.2 Unanalyzed Manual Payments Outside the Integrated Payroll and Personnel Database (IPPD) System

Included in the compensation of employees' expenditure of Kshs.466,204,339 are payments totalling Kshs.411,378,855 made through the electronic IPPD system. Further, available records revealed that payments amounting to Kshs.82,602,938 were made through a manual system in respect of 187 staff stationed in the wards, 6 Members of County Assembly and 19 Members of Staff. However, the payments through the manual system were not sufficiently analyzed.

In the circumstances, the completeness of the compensation of employees' expenditure during the year under review could not be confirmed.

460. Use of Goods and Services

As disclosed in Note 9.1.4 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.413,146,938 on use of goods and services. The following unsatisfactory matters were however noted in respect of various expenditure items on the use of goods and services:

460.1 Payment of Housing Benefit for the Speaker

The expenditure on use of goods and services of Kshs.413,146,938 includes an amount of Kshs.3,300,000 in respect of residential rent and rates paid for the Speaker's house. However, the amount was not supported by a lease agreement and respective invoices. In the absence of these supporting documents, it was not possible to determine whether the payment was a proper charge to public funds.

In addition, available records revealed that the rent was not paid directly to the owner of the house but was irregularly channeled through a firm of advocates as a settlement of legal fees for a case between the Speaker and the Homa Bay County Assembly Public Service Board. No plausible explanation was provided for converting the rent payment into legal fees.

460.2 Unsupported Foreign Travel Expenses

The expenditure on use of goods and services of Kshs.413,146,938 further includes an amount of Kshs.239,142,813 relating to domestic and foreign travel and subsistence expenses. The latter includes an amount of Kshs.10,341,140 paid as per diem to twenty (20) Members of Homa Bay County Assembly including the Assembly Clerk and seven (7) other Members of Staff who travelled to Mwanza, Tanzania between 20 and 26 January, 2021 to attend a meeting. However, the respective travel

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documents such as copies of passports, boarding passes and vaccination certificates and invitation letters as a proof of travel were not provided for audit review.

460.3 Unsupported Insurance Premium

The expenditure on use of goods and services of Kshs.413,146,938 also includes an amount of Kshs.27,045,765 in respect of insurance costs. The latter includes an amount of Kshs.26,703,000 paid to an insurance company for medical cover for Staff Members of the County Assembly. However, the payment voucher provided for audit were not authorized by a responsible official of the County Assembly and were not supported by bills/invoices.

In the circumstances, the accuracy and completeness of the use of goods and services expenditure totalling Kshs.40,344,140 could not be confirmed.

461. Unsupported Expenditure on Purchase of Office Furniture and Fittings

As disclosed in Note 9.1.8 to the financial statements, the statement of receipts and payments reflects an expenditure on acquisition of assets of Kshs.41,208,919. Included in the expenditure is an amount of Kshs.1,996,931 being a part payment for the purchase of furniture and fittings from a supplier who had been awarded the contract at a contract sum of Kshs.6,727,180.

Examination of payment documents revealed that the County Assembly procured furniture and office fittings vide Local Purchase Order No.2594576 from the supplier. A demand letter from the supplier Ref. No. HBCA/PD/T04/2017 indicated that the items were supplied vide delivery note numbers 25410 and 24088, respectively. However, the procurement records, delivery notes and the respective invoices were not provided for audit verification.

In the circumstances, the accuracy and completeness of the amount of Kshs.1,996,931 paid to the supplier could not be ascertained.

Other Matter

462. Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2021 reflects final receipts budget and actual on comparable basis amounts of Kshs.1,072,516,376 and Kshs.1,124,137,800 respectively, resulting in an under-funding of Kshs.51,621,424. Similarly, the Assembly spent an amount of Kshs.1,104,214,416 out of the approved expenditure budget of Kshs.1,072,516,376 resulting in under expenditure of Kshs.31,698,040.

The under-funding and under-expenditure hampered execution of planned activities and delivery of services to the residents of Homa Bay County.

463. Pending Bills

Annex 1 to the financial statements shows pending account payables amounting to Kshs.351,032,723 which were not settled during the year under review but were carried forward to 2021/2022 financial year. Failure to settle the bills will have a

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negative impact on the subsequent year's budget allocation to which they have to be charged.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

464. Compensation of Employees

464.1 High Wage Bill

The statement of receipts and payments shows that an amount of Kshs.466,204,339 was spent on compensation of employees during the year under review. This expenditure is equivalent to 41% of the County Assembly's revenue receipts of Kshs.1,124,137,800 in the financial year 2020/2021. This is contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015, which prescribes that the County Government expenditure on wages and benefits for public officers should not exceed 35% of the County Government's total revenue. Therefore, the wage bill threshold was surpassed by six percentage points. Further, the continued use of limited budgetary funds to finance personnel emoluments is likely to constrain funding of the County Assembly's operations and thereby hinder it from effectively carrying out its legislative and oversight mandate.

In the circumstances, Management was in breach of the law.

464.2 Delayed Remittances of Statutory Deductions

Included in the compensation of employees' expenditure of Kshs.466,204,339 is an amount of Kshs.83,552,390 relating to income tax Pay-As-You-Earn (PAYE) paid in the year under review. Examination of the payroll and tax remittance documents showed that payrolls are never reconciled to the tax assessment documents. A comparison of self-assessment amount of Kshs.76,546,119 and actual amount of PAYE of Kshs.83,552,390 paid revealed an unexplained variance of Kshs.7,006,271.

Further, the Assembly remitted PAYE past due date of 9th of the following month contrary to Section 37(1) of the Income Tax Act, Cap 470 of the Laws of Kenya, thus attracting penalties and interests totalling Kshs.10,992,158.

In addition, examination of records relating to National Social Security Fund (NSSF) deductions for the months of July, 2020 and February, May and June, 2021 showed that deductions amounting to Kshs.128,000 were not remitted to NSSF within the stipulated time lines. This is contrary to Section 27(1) of the National Social Security Fund Act, 2013 which prescribes that deductions are to be paid in within one month after the end of the month in which the last day of the contribution period fell.

In the circumstances, Management was in breach of the law.

464.3 Irregular Payment of Salary to the Former Clerk after his Resignation

During the year under review, the County Assembly of Homa Bay hired a County Assembly Clerk who later resigned. Review of his resignation letter dated

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04 June, 2021 indicated that he was to surrender his salary for the month of May 2021 as a payment in lieu of notice for his late submission of the resignation letter. However, examination of the payroll showed that an amount of Kshs.308,572 being net salary for the month of May was paid to his account. No explanation was provided for this anomaly.

Consequently, the County Assembly lost an amount of Kshs.308,572 due to the irregular payment.

464.4 Non-Adherence to One - Third Basic Pay Rule

During the year ended 30 June, 2021, fifteen (15) employees earned a net salary of less than a third (1/3) of the basic salary contrary to Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies and Procedures Manual for the Public Service, 2016. The Management has not given explanations for the failure to comply with the policy.

In the circumstances, the County Assembly contravened Section C.1(3) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 and this may expose the staff to pecuniary embarrassment.

464.5 Irregular Payment of Salary Advance

Examination of payroll records revealed that the County Assembly did not observe guidelines on issuance of salary advance as per the Assembly's human resource policy manual. During the year under review, fifty-four (54) Members of County Assembly (MCAs) were paid salary advance of Kshs.300,000 each and one MCA was paid Kshs.600,000. However, the salary advances granted were not supported by evidence of unforeseen emergencies warranting their issuance.

Consequently, Management was in breach of the policy and exposed the staff to the risk of pecuniary embarrassment.

465. Unsupported Staff Recruitment

During the year under review, a total of thirty-three (33) members of staff were recruited in the month of May, 2021. However, no documentary evidence in form of advertisements, interview minutes and merit list were provided for audit review.

In the circumstances, the County Assembly Management was in breach of Part 1 Sections 14 to 17, of the Assembly's Human Resource Policy Manual.

466. Staff Ethnic Composition

The County Assembly's payroll and employment records for the financial year 2020/2021 revealed that the Assembly had one hundred and forty-three (143) employees on permanent and contract terms and 61 Members of County Assembly (MCAs). An analysis of ethnic composition revealed that one hundred and forty (141) employees or 99% were from one ethnic community while only two (2) or 1% were from other ethnic communities. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public

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institution shall have more than one third of its staff establishment from the same ethnic community".

In the circumstances, Management was in breach of the law.

467. Irregular Borrowings from Car Loan and Mortgage Fund for Payment of Salary

During the year under review, the County Assembly borrowed funds from the Car Loan and Mortgage Fund for activities that were not within the mandate of the fund as below:

i. The County Assembly borrowed an amount of Kshs.2,320,000 from the Car Loan and Mortgage Fund account to facilitate Members of the County Assembly (MCAs) to distribute food in their wards without due approval from the Fund's Board as required. Further, it was not clear how the borrowed amounts were spent as no supporting documents were provided for audit review.

ii. An amount of Kshs.16,800,000 was also diverted to pay salary advances to 55 MCAs.

This is contrary to Regulation 42(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which states that an Accounting Officer shall ensure that public funds entrusted to their care are properly safeguarded and are applied for purposes for only which they were intended and appropriated by the County Assembly.

Further, the Fund was deprived of funds that could have be advanced as Car or Mortgage Loans at an interest rate of 3% per annum.

In the circumstances, Management was in breach of the law.

468. Acquisition of Assets

468.1 Construction of Members of County Assembly (MCAs) Offices

As disclosed in Note 9.1.8 to the financial statements, the statement of receipts and payments reflects an expenditure on acquisition of assets of Kshs.41,208,919, which includes an amount of Kshs.32,040,758 in respect of construction of MCAs' offices. However, the following anomalies were noted:

i. The County Assembly awarded a local company the contract to construct MCAs offices at a cost of Kshs.348,689,730 that was to run for seventy-eight (78) weeks from 06 December, 2019 to 04 June, 2021. A physical inspection carried out on the project on 07 October, 2021 four months after the expected completion date revealed that the contractor completed the foundation and columns valued at Kshs.66,714,925.14 (including materials on site) and abandoned the site after the first payment.
ii. The Contractor vide letter Ref. No. HEMCAP13 of 12 March, 2021 claimed to have been ordered out of the site by the Homa Bay County Commissioner on 01 March, 2021 sighting unresolved land issues.

The delayed completion of the project will lead to escalation of the costs and variations, and value for money on this contract may not be achieved in the long-run.

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468.2 Refurbishment of Committee and Lobby Rooms

The expenditure on acquisition of assets of Kshs.41,208,919 includes an amount of Kshs.6,811,137 in respect of refurbishment of committee and lobby rooms. Although, the contact sum of Kshs.6,811,137 was fully paid as of 30 June, 2021, some works that were part of the bill of quantities including purchase of carpet, installation of air conditioner and sound proofing of the walls were still outstanding.

Consequently, the value for money of Kshs.6,811,137 spent on the project could not be confirmed.

469. Public Participation in the Budget Process

Available records revealed that the assembly placed an advertisement in the Standard newspaper on 09 June, 2020 inviting the public to submit their views in written memoranda on the budget for 2020/2021. However, the assembly did not provide for audit review any documentary evidence to support the written memoranda received and the public discussions held on the same.

The extent to which the general public was consulted in the budget policy statement and sector working groups as required under Regulation 7 of the Public Finance Management (County Governments) Regulations, 2015 could not be confirmed.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

470. Non-compliance with Approved Staff Establishment

Available records revealed that the County Assembly has an approved staff establishment of 115 Members of Staff. However, the actual number of staff in position as at 30 June, 2021 was 128 which shows that the approved establishment was exceeded by 13 staff members in various departments.

Exceeding the approved staff establishment is an indication of weak governance system and may lead to waste and unmanageable wage bill.

471. Lack of an updated Strategic Plan for the County Assembly

The assembly has been operating for three years with an expired strategic plan after the previous one developed for the period 2014 - 2018 expired.

In the absence of an updated strategic plan, the goals and objectives of the Assembly may not be achieved as planned.

472. Lack of an Audit Committee

During the year under review, the County Assembly did not have an Audit Committee contrary to Regulation 168 of the Public Finance Management (County Governments) Regulations, 2015.

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In the absence of the Audit committee, the Management lacked a vital support with regard to the responsibility for issues of risk, controls, governance and assurance.

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REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

473. Presentation of Financial Statements

Review of the financial statements for the year ended 30 June, 2021 submitted for audit revealed the following instances of non-compliance with the financial reporting guidelines and template prescribed by the Public Sector Accounting Standards Board:

i. The bank reconciliation reports were not attached as annexes to the financial statements in line with the financial reporting template.

ii. The amounts in respect of other disclosures - pending staff payables were not categorized as prescribed in the template.

iii. The financial statements did not disclose the amounts involved in related party transactions.

iv. The financial statements did not disclose the progress on follow-up of auditor's recommendations.

v. The analysis of pending accounts payables under Annexure 1 omitted the prior year audited balance totalling Kshs.121,478,922.

In the circumstances, the presentation of the financial statements for the year ended 30 June, 2021, did not comply with the prescribed format by PSASB.

474. Unreconciled Variances Between the Financial Statements and IFMIS Report

The statement of receipts and payments reflects total expenditure of Kshs.1,014,238,427 while the IFMIS payment details report reflects total payments of Kshs.1,168,179,302, resulting to unreconciled variance of Kshs.153,940,875.

In addition, the IFMIS vote book expenditure report for the same period reflects a total expenditure of Kshs.332,010,744 resulting to unexplained variance of Kshs.682,227,683.

In the circumstances, the completeness and accuracy of the total expenditure of Kshs.1,014,238,427 for the year ended 30 June, 2021 could not be confirmed.

475. Unsupported Bank Balance

The statement of financial assets and liabilities reflects cash and cash equivalents of Kshs.1,664,842 and as reflected in Note 9A to the financial statements, the amount includes Kshs.1,661,736 in respect of bank balances and, which was not supported by bank reconciliation statements and certificates of bank balances.

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Consequently, the accuracy and completeness of the bank balance of Kshs.1,661,736 as at 30 June, 2021 could not be ascertained.

476. Compensation of Employees

476.1 Payment Made Outside the IPPD Payroll

The statement of receipts and payments reflects total payments of Kshs.1,014,238,427. As reflected in Note 4 to the financial statements the amount includes an expenditure of Kshs.392,711,984 in respect of compensation of employees out of which an amount of Kshs.56,547,522 was paid as ward staff salaries and special duty allowances and honoraria to County Assembly permanent staff outside the Integrated Personnel and Payroll Database (IPPD) system. It was not clearly explained why Management did not pay all the staff and employees using the IPPD.

Further, comparison of sampled bank remittances and payroll records revealed discrepancies in payroll net pay and bank remittances net pay as tabulated below:

Month/Year	Bank Remittances Net Pay (Kshs)	Payroll Net Pay (Kshs)	Difference (Kshs)
September, 2020	6,173,038	6,066,743	106,294
January, 2021	4,946,157	4,731,497	214,660
February, 2021	4,515,372	4,287,522	227,850
Total	**15,634,567**	**15,085,762**	**548,804**

476.2 Unexplained Variance on Sitting Allowance Payments to MCAs

As disclosed in Note 4 to the financial statements, the statement of receipts and payments reflects Kshs.392,711,984 in respect of compensation of employees out of which an amount of Kshs.26,712,400 were payments in respect of sitting allowance to Members of the County Assembly (MCA) for July, August, November, December, 2020 and April, as captured in the Integrated Personnel and Payroll Database (IPPD) system. However, the supporting schedules in respect of the sitting allowance for July, August, November, December, 2020 and April, 2021 reflects an amount of Kshs.17,421,300 leading to unreconciled and unexplained variance of Kshs.9,291,100.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.392,711,984 and Kshs.26,712,400 in respect of compensation of employees and sitting allowances respectively could not be confirmed.

477. Unsupported Expenditure on Use of Goods and Services

Note 5 to the financial statements reflects an expenditure of Kshs.478,510,312 in respect of use of goods and services and includes expenditure totalling Kshs.35,858,168 in respect of various expenditure items and amounts were not supported by sufficient, appropriate and verifiable documentary evidence.

In the circumstances, the accuracy, completeness and validity of the expenditure of Kshs.35,858,168 for the year ended 30 June, 2021 could not be ascertained.

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Other Matter

478. Budgetary Control and Performance

The statement of comparison of budget and actual amounts - recurrent and development reflects final receipts budget of Kshs.1,006,834,225 and actual receipts of Kshs.1,015,900,163 resulting in net excess receipt of Kshs.9,065,938 resulting from unbudgeted other receipts of Kshs.18,675,050 and which Management explained as related to the County Treasury imprests credited to the assembly operations account for requested specific committee activities and other administrative expenses. It was not clear why the Assembly did not request for additional funding through the supplementary budget in line with the provisions of Regulation 39 of the Public Finance Management (County Governments) Regulations, 2015.

The statement also reflects total expenditure budget of Kshs.1,006,834,225 and an actual expenditure of Kshs.1,014,238,427 resulting in overall over-expenditure of Kshs.7,404,202. No documentary evidence was provided for audit to confirm that the over-expenditure was approved as required under Regulation 43(2) of Public Finance Management (County Governments) Regulations, 2015.

479. Pending Bills

Note 7.10 on other disclosures to the financial statements and as reflected in Annex 1 and 2 reflects pending accounts and staff payables of Kshs.31,776,430 and Kshs.59,236,050, respectively totalling Kshs.91,012,480 and which were not settled during the year under review but were carried forward to 2021/2022 financial year.

Failure to settle bills in the year for which they relate adversely affects the provisions of the following year as they form a first charge for that year's budget provision.

Consequently, the Management was in breach of Regulation 50(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that, "expenditure commitment for goods and services shall be controlled against spending and procurement plans approved by the responsible accounting officer, based on allocations and allotments from approved budgets."

480. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Reports 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 or given any explanation for failure to resolve them and adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury and Planning Circular for the year ended 30 June, 2021.

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Basis for Conclusion

481. Cash and Bank Operations Account

Review of the IFMIS payment details report for the year ended 30 June, 2021 revealed that funds totalling Kshs.649,648,594 were transferred to the operations account held at Kenya Commercial Bank and cash withdrawals made for payment of salaries, allowances, goods and services. This is contrary to Regulation 82(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires all County Government bank accounts to be opened and operated at the Central Bank of Kenya except for imprest bank accounts for petty cash.

482. Compensation of Employees

482.1 Irregular Payment of Mileage Allowance

As disclosed in Note 4 to the financial statements, the statement of receipts and payments reflects compensation of employees of Kshs.392,711,984 which includes transport allowances - civil service and Members of County Assembly (MCAs) of Kshs.40,498,536. The amount includes payments in respect of mileage allowance to Members County Assembly (MCAs) totalling Kshs.27,241,619. Review of records provided for audit revealed an overpayment of Kshs.842,690 as a result of disregarding the provisions of Paragraph a (i) and (ii) of the Salary and Remuneration Commission circular reference number SRC/TS/CGVT/3/16 of 27 November, 2013 on reviewed remuneration and benefits for Members of County Assembly which required MCAs to be paid a monthly mileage allowance at a standard AA rate of Kshs.109.8 per Kilometre for up to a maximum of 45 Kilometres return journey (90 Kilometres) to their respective areas of representation. In addition, members whose areas of representation were situated beyond the 45 Kilometres return journey (90 Kilometres) were to make a weekly reimbursable claim of the extra mileage when they travel to their area of representation at applicable AA rates based on the cubic capacity of the vehicle per extra Kilometer, subject to a maximum of 52 weeks in a year.

In view of the foregoing, the propriety of the overpayment of Kshs.842,690 in respect of mileage allowances could not be confirmed.

482.2 Salary Over Commitment Beyond the Legal Limit

Review of the County Assembly of Migori payroll for June, 2021 revealed that a total of sixteen (16) officers were earning less than a third of their basic pay in contravention of Clause F.2.1(c) of the County Assembly of Migori Human Resource Manual which provides that, “public officers shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries.”

482.3 Acting Appointments Beyond Recommended Limits

Review of sampled assembly employees’ personal files revealed that, by the time of audit (October, 2021), two (2) staff members had served in acting position for up to twenty-four (24) and thirty-eight (38) months, respectively contrary to Section 34(3) of

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the Public Service Commission Act, 2017, which states that "an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of six months."

483. Staff Ethnic Composition

During the year under review, the total number of employees in the County Assembly was seventy (70) out of which fifty-five (55) or 78% were members from the dominant community in the County. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that, "no public institution shall have more than one third of its staff establishment from the same ethnic community."

484. Car Purchase Grant

As disclosed in Note 8, the statement of receipts and payments reflects other payments totalling Kshs.97,071,779 which includes an amount of Kshs.82,600,000 in respect of car purchase grant disbursed to the Speaker of the County Assembly and fifty-seven (57) Members of County Assembly (MCAs) contrary to the Salaries and Remuneration Commission Circular reference SRC/TS/COG/3/61/48 VOL.II (113) dated 09 February, 2021 which required conversion of the existing car loans into car grants and hence surpassing the County Government budget ceilings on recurrent expenditure in the financial year 2020/2021 as provided in the fourth schedule of the County Allocation of Revenue Act, 2020.

Further, review of the available records revealed that the County Assembly deducted but did not remit income tax totalling Kshs.34,500,000 arising from the car grants to Members of the County Assembly and the Speaker in line with Section 5(2) of the 5(2)(a) of the Income Tax Act, 2010. Further, and although the County assembly executed a debt repayment plan on 23 August, 2021 in respect of the outstanding tax liability, it was not clear whether the obligation had since been settled.

485. Construction of Speaker's Official Residence

The statement of receipts and payments reflects Kshs.40,737,411 in respect of acquisition of assets and as disclosed in Note 6 and Annexure 4 to the financial statements, the amount includes Kshs.13,400,300 relating to construction of Speaker's Residence. However, the Management did not provide for audit, the tender documents such as advertisements, evaluation minutes, bills of quantities and contract agreements as prescribed under paragraph 70(6) of the Public Procurement and Assets Disposal Act, 2015.

Further, physical verification of the project conducted in October, 2021 revealed that the contractor had only done the first slab and the project appeared to have stalled since the contractor was not on site. In addition, the Management did not provide certificate of work done and inspection and acceptance certificates to support the payments.

In the circumstances, the validity and value for money of the amount Kshs.13,400,300 spent on the project could not be ascertained.

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Basis for Conclusion

486. Ineffective Audit Committee Function

The internal audit plan and internal audit charter produced for audit were not approved by the audit committee in line with Regulation 163(2)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015.

In addition, review of records revealed that the Audit Committee did not meet during the year under review to discharge its responsibilities on issues of risk, internal control and governance and associated assurance and follow up on the implementation of the recommendations of internal and external auditors contrary to Regulation 172(1) of the Public Finance Management (County Governments), Regulations 2015.

487. Lack of an Approved Risk Management Policy

Review of the risk management process revealed that the County Assembly did not have an approved risk management policy framework during the year 2020/2021 to provide a framework for the management of risk and also to increase overall awareness of risk throughout the institution. In addition, there was no documentary evidence to confirm that the assembly had conducted a risk assessment to identify the potential risk exposure, possibility of their occurrence and the mitigating strategies.

488. Lack of Approved Staff Establishment

As previously reported, the County Assembly of Migori did not have an approved staff establishment to indicate the authorized staffing levels in position for each category of employee and or any variance thereof. Further, no evidence was provided to indicate that the Assembly had carried out job evaluation to determine the staff requirements for each cadre.

It was therefore, not possible to ascertain whether the Assembly had engaged the optimal numbers of employees for all categories.

489. Functioning of the County Assembly Service Board

Review of the functioning of County Assembly of Migori Service Board various instances of non-compliance with the established authorities as indicated below:

i. Failure to prepare and submit an annual operation report as required by Section 36(1) of the County Assembly Service Act, 2017 which provides that within three months after the end of each calendar year, the Board shall prepare and lay before the county assembly, a report of its operations during that year.

ii. Failure to establish a County Assembly Fund as required by Section 36(1) of the County Assembly Service Act, 2017 which provides that there is established for each county, a fund to be known as the County Assembly Fund.

iii. Failure to establish a Staff Advisory Committee in line with Section 29 of the County Assembly Service Act, 2017 which requires the Board to establish a

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committee to be known as the Staff Advisory Committee which shall be responsible for advising the Board, through the Committee, on matters relating to staff.

iv. Failure to establish a Management Committee in line with Section 28 of the County Assembly Service Act, 2017 which requires the Board to establish a committee to be known as the Management Committee which shall be responsible for advising the Board on matters relating to the functions and powers of the Board under Sections l1 and 12 of the Act.

In the circumstances, the County Assembly Service Board may not adequately perform its oversight responsibilities and effectively guide the operations of the County Assembly.

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REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

490. Unsupported Expenditure on Foreign and Domestic Travel

The statement of receipts and payments for the year ended 30 June, 2021 reflects an expenditure of Kshs.301,913,481 on use of goods and services as disclosed in Note 5 to the financial statements. The balance includes an amount of Kshs.2,454,662 in respect of foreign travel and subsistence. However, supporting documents for the expenditure were not provided for audit review.

Further, the balance includes domestic travel and subsistence expenditure of Kshs.137,306,830 out of which an amount of Kshs.11,350,000 was incurred on public participation. The expenditure was incurred through cash purchases from temporary imprests issued to Members of the County Assemblies (MCAs) for hiring of public address system, public ground, tents and chairs; purchase of stationeries, refreshments, snacks and beverages; and payment of facilitation fees to the members of public during various public participation activities in April, May and June, 2021.

However, review of documents supporting the public participation imprest surrender vouchers revealed that the attendance list was not signed by all participants. Further, the attached cash sales receipts did not have official KRA electronic tax register receipts to confirm that the trading entities were tax compliant.

In the circumstances, the validity and occurrence of the foreign and domestic travel and subsistence expenditures of Kshs.2,454,662 and Kshs.137,306,830 respectively for the year ended 30 June, 2021 could not be confirmed.

Other Matter

491. Budgetary Control and Performance

The statement of comparison of budget and actual amounts - recurrent and development combined for the year ended 30 June, 2021 reflects final receipts budget and actual on comparable basis amounts of Kshs.1,021,250,968 and Kshs.962,258,658 respectively, resulting in an under-funding by Kshs.58,992,310 or 6% of the budget. Similarly, the County Assembly spent an amount of Kshs.962,297,766 out of the approved expenditure budget of Kshs.1,021,250,968 resulting in under expenditure of Kshs.58,953,202 or 6% of the budget.

The under-funding and under-expenditure constrained execution of planned activities and delivery of services to the residents of Kisii County.

492. Late Exchequer Releases

The statement of receipts and payments for the year ended 30 June, 2021 reflects transfer from County Treasury/Exchequer releases of Kshs.962,258,658 which includes an amount of Kshs.77,431,718 disbursed by the County Treasury in July, 2021 after 30 June, 2021.

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Late Exchequer Releases could have had adverse effects on the implementation of the planned activities and projects by the County Assembly of Kisii.

493. Pending Bills

Disclosed in Annexure 1 in the financial statements are pending account payables amounting to Kshs.64,940,108 which were not settled during the year under review but were carried forward to 2021/2022 financial year. The Management has not explained why the bills were not settled during the year when they occurred. Failure to settle the bills negatively impacts on the subsequent year's budget provisions against which they have to be charged to.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

494. Extension of Library, ICT Centre and Procurement of Offices

The statement of receipts and payments reflects expenditure on acquisition of assets of Kshs.55,453,330 as disclosed in Note 10 to the financial statements. The expenditure includes an amount of Kshs.46,945,330 in respect of construction of buildings, which further includes an expenditure of Kshs.35,360,709 paid to a contractor for the construction of the main office block at the Assembly Headquarters in Kisii Town.

The contract was awarded at a contract sum of Kshs.195,000,000 for a period of thirty (30) months ending June, 2021. The works consisted of extension of library, ICT Centre and Procurement of Offices to host the Members of County Assembly Offices. Physical verification on 14 October, 2021, revealed that the contractor was not on site and the project was behind schedule.

In the circumstance, expenditure of Kshs.35,360,709 paid to the contractor could not be confirmed.

495. Non-Compliance with the Law on Fiscal Responsibility-Wage Bill

The statement of receipts and payments reflects expenditure of Kshs.604,885,796 as disclosed in Note 4 to the financial statements. The expenditure is 63% of the Assembly's total exchequer receipts of Kshs.962,258,658 in the year under review. This is contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015, which requires the County Government expenditure on wages and benefits for public officers not to exceed 35% of the County Government total revenue.

In the circumstances, Management was in breach of the law.

496. Non-Compliance with Law on Ethnic Composition

A review of the personnel records indicate that the County Assembly had two hundred and seventy-four (274) employees as at 30 June, 2021 out of which, two hundred and

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sixty seven (267) or 97% comprised members of the ethnic community dominant in the County. This is contrary to Section 65(1) of the County Governments Act, 2012 and Section 7(1) and (2) of the National Cohesion and Integration Act, 2008.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

497. Ineffective Audit Committee Function

The Assembly Audit Committee did not hold any meeting during the year under review and only held the last meeting on 10 September, 2019. Consequently, the Audit Committee did not effectively discharge its oversight role as envisaged in Regulation 159 (2) of the Public Finance Management (County Governments) Regulations, 2015 which provides that each year, the Audit Committee shall carry out annual review of the independence, performance and competency of the internal audit unit and comment on their effectiveness in the annual report.

498. Lack of an Approved ICT Policy

Review of IT control environment revealed that the ICT Policy addressing areas of security and program change management, physical access, environmental and logical access control was still in draft form and had not been approved by Management. As a result, the County Assembly was exposed to breaches of information confidentiality, data integrity and loss of business continuity.

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REPORT ON THE FINANCIAL STATEMENTS

Unqualified Opinion

499. There were no material issues noted during the audit of financial statements of the County Assembly.

Other Matter

500. Budgetary Control and Performance

The statement of comparison of budget and actual amounts - recurrent and development reflects final receipts budget and actual on comparable basis of Kshs.732,785,716 and Kshs.582,320,434, respectively resulting to an under-funding of Kshs.150,465,282 or 21% of the budget.

Similarly, the County Assembly expended Kshs.583,747,448 against an approved budget of Kshs.732,785,716 resulting to an under-expenditure of Kshs.149,038,268 or 21% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

501. Pending Bills

As disclosed in Note 1 on other disclosures, the financial statements reflects pending account payables amounting to Kshs.9,604,687 which were not settled during the year under review but were carried forward to 2021/2022 financial year. Failure to settle the bills negatively impacts on the subsequent year's budget provisions against which they have to be charged to.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

502. Construction of Offices for Staff and Members of County Assembly (MCAs)

Note 6 to the financial statements reflects acquisition of assets expenditure of Kshs.34,308,167 which includes an amount of Kshs.29,470,519 relating to construction of buildings. The latter further includes an amount of Kshs.27,808,218 paid in respect of construction of offices for staff and Members of County Assembly (MCAs). The contract was awarded to a local contractor at a contract sum of Kshs.367,000,000. The contract was to be carried out in one hundred and fifty-six (156) weeks with expected completion date of May, 2018 but which was later revised to 13 August, 2021.

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Examination of related documents and physical verification of the project on 13 October, 2021 revealed the following anomalies:

i. The building had not been completed and the contractor was not on site. A section of the slab and a beam had collapsed. A preliminary report by the Ministry of Transport, Infrastructure, Public Works, Housing and Urban Development dated 4 June, 2021 reference number BI/SE/3/Vol VIII/(78) indicated that the entrance slab failed due to inadequate design (support system) causing deflation of the beam and that the framework failed due to lack of bracing.

ii. The National Construction Authority is yet to issue a lifting of the suspension of works awaiting submission of the approved redesign of the collapsed section of the building, together with a methodology statement for the implementation of the works by the assembly.

In view of the foregoing, the value for money may not be realized from the sub-standard and delayed works.

503. Automation of Broadcasting and Hansard Recording Functions

The acquisition of assets expenditure of Kshs.34,308,167 includes an amount of Kshs.1,662,300 paid in respect of automation of Broadcasting and Hansard recording functions. The contract was awarded to a local contractor at a contract sum of Kshs.17,698,000. The contract was to be carried out in twenty-four (24) weeks beginning 15 May, 2016.

Review of records revealed that payments totalling Kshs.14,662,300 had been made to the contractor to date but the works remained incomplete with no approved extension as required under Section 139(2) of the Public Procurement and Asset Disposal Act, 2015.

Physical verification on 13 November, 2021 revealed that the server supplied did not meet the required specifications and had remained unused since its delivery. In addition, the conference system software supplied was not fully set, for instance, it was not linked to the camera, and thus disenabling the camera from automatically focusing from the MCAs while on the floor. Further, the smart card readers were not working and the personal details of the MCAs could not be relayed on the Speaker`s dashboard during plenary sessions as envisaged.

In the circumstances, the value for money on the expenditure amounting to Kshs.14,662,300 incurred to date could not be confirmed.

504. Irregular Payment of Transport Allowance

The statement of receipts and payments reflects an expenditure on use of goods and services of Kshs.184,448,412 and as disclosed in Note 3 to the financial statements which includes domestic travel and subsistence expenses of Kshs.117,284,049. The latter includes an amount of Kshs.7,155,500 paid as transport allowance to Members of County Assembly and staff of the Assembly for various journey at the rate specified

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in the transport policy approved by the County Assembly Service Board in the year 2017, and without the approval from Salaries and Remuneration Commission.

The Management, therefore, contravened Section 11(b) and (f) of the Salaries and Remuneration Commission Act, 2011 which provides that the function of the commission includes among others, keeping under review all matters relating to the salaries and remuneration of public officers including making recommendations on matters relating to the salary and remuneration of a particular state or public officer.

In the circumstances, Management was in breach of the law.

505. Failure to Observe One-Third Rule in Employment

Examination of Nyamira County Assembly staff establishment and employment records for the 2020/2021 financial year revealed that the Assembly had two hundred and sixty (260) employees. An analysis of ethnic composition revealed that two hundred and fifty-nine (259) employees, which is 99.9% were from one ethnic community while only one (1), which is (0.1%) was from other ethnic communities. This is contrary to Section 65(1) of the County Governments Act, 2012 and Section 7(2) of the National Cohesion and Integration Act, 2008.

In the circumstances, Management was in breach of the law.

506. Employment of Ward Staff

Review of personal records revealed that Members of the County Assembly directly employed eighty (80) ward staff without involving the County Assembly Service Board in contravention of Section 12(7b) of the County Governments Act, 2012.

Further, review of records revealed that the Assembly engaged four employees per ward in all the twenty wards resulting in an overemployment of twenty (20) ward staff contrary to the provisions of the Commission on Revenue Allocation Circular Ref CRA/CSO/CGM/18/Vol.8/(1) dated 11 May, 2015 on the County Governments' Budget ceilings on recurrent expenditure, limiting the number of employees per ward to three (3).

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

507. Ineffective Internal Audit Function

The Internal Audit Department did not provide any internal audit report. In addition, no annual audit plan was approved by the audit committee during the year under review. Consequently, the internal audit function did not effectively discharge its oversight role as envisaged in Regulation 153 of the Public Finance Management (County Governments) Regulations, 2015.

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COUNTY ASSEMBLY OF NAIROBI CITY - NO.47

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

508. Presentation of the Financial Statements

The financial statements for the year ended 30 June, 2021 provided for audit review contained Annexure 1 to 7 are blank which do not support the information reflected in the financial statements. Further, Note 8 to the financial statements on progress on follow up on prior year auditor's recommendations is not populated and does not reflect issues in the report of the Auditor-General for the prior year 2019/2020 and how the same have been resolved.

This is contrary to the format prescribed by the Public Sector Accounting Standard Board (PSASB) in accordance with Section 194(1)(d) of the Public Finance Management Act, 2012.

509. Inaccuracies in the Financial Statements

Review of financial statements for the year ended 30 June, 2021 revealed the following inaccuracies: -

509.1 Statement of Receipts and Payments

i) Review of schedules provided in support of financial statement amounts revealed variances with amounts reflected in the Integrated Financial Management Information System (IFMIS) ledger amounts in respect of domestic travel and subsistence as analyzed below and which were not explained or reconciled.

Expenditure Item	Supporting Schedules (Kshs.)	IFMIS Payment Details (Kshs.)	Variance (Kshs.)
Travel Costs	54,669,418	20,543,503	34,125,915
Accommodation	165,601,146	12,289,597	153,311,549
Daily Subsistence Allowance (Per Diems)	4,158,281	5,730,232	1,571,951

The variances imply that some payments were made outside the IFMIS system.

Further, included in the expenditure of Kshs.638,095,160 under use of goods and services is an amount of Kshs.226,078,578 in respect of travel and subsistence whereas schedules supporting the expenditure amounted to Kshs.224,428,845 resulting in a variance of Kshs.1,649,733 which was similarly not supported or explained.

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ii) Additionally, review of expenditure schedules provided in support of the expenditure on domestic travel and subsistence revealed duplicated amounts totalling to Kshs.6,616,855 and misclassified expenditure totalling Kshs.10,913,749. Although the adjustments were made to the financial statements to correct the above errors, no supporting journals vouchers were provided for the entries made.

iii) The statement of receipts and payment reflects nil amount in respect of other payments while the corresponding Note 12 to the financial statements reflects Kshs.2,000 resulting in unexplained variance of Kshs.2,000.

iv) Review of expenditure on rental of produced assets amounting to Kshs.47,957,263 revealed payments which were made in respect of the Speakers' house rent, ward offices rent and ward standing imprests. However, the ledger provided for audit review reflected a balance of Kshs.45,919,405 resulting to an unexplained variance of Kshs.2,037,858.

v) As further disclosed in Note 5 to the financial statements, the expenditure on use of goods and services includes an amount of Kshs.19,291,691 incurred on office and general supplies and services. However, the ledger reflects an amount of Kshs.7,354,857 resulting to an unreconciled difference of Kshs.11,936,834.

vi) Additionally, the expenditure on use of goods and services includes an amount of Kshs.935,800 incurred on purchase of uniform and clothing. However, the expenditure was wrongly charged to office and general supplies and services ledger instead of specialized materials and services.

vii) Further, review of the ledger revealed that expenditure amounting to Kshs.224,428,847 in respect of domestic travel and subsistence was inclusive of all imprests issued during the year including the surrendered and outstanding ones which are directly expensed. However, expensing of un-surrendered imprests was irregular and amounted to misstatement of expenditure for the year under review.

viii) Review of records supporting training expenses of Kshs.44,770,076 revealed that the amount was paid by the County Assembly for various training programs as per ledger. However, ledger analysis reflected subscription payments amounting to Kshs.8,946,080 which were posted to training expenses instead of membership subscription to professional bodies. Further, the entire expenditure on training totalling to Kshs.44,770,076 was not supported by requisite documents such as agreements with the training institutions and facilitators, and invitation letters to the trainings.

ix) Further, printing, advertising and information supplies and services expenses amounting to Kshs.19,382,835 includes a balance of Kshs.8,685,593 incurred on office and general supplies and services and other operating expenses which was wrongly charged to printing, advertising and information supplies and services,

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hence overstating the account while understating the respective accounts by similar amount.

509.2 Statement of Assets and Liabilities

i. The statement of financial assets and liabilities reflects cash and cash equivalents amounting to Kshs.127,519 as at 30 June, 2021. However, the development vote bank account confirmation of balances certificate reflected nil balance while the bank balance reflected in the bank reconciliation statement was Kshs.57,051 resulting in unexplained and unreconciled difference of Kshs.57,051.

ii. The cash book for an imprest bank account held at Co-operative Bank of Kenya reflects a balance of Kshs.45,000 while the financial statements reflects a balance of Kshs.28,652 resulting to an unexplained and unreconciled difference of Kshs.16,348. Further, the certificate of bank balance as at 30 June, 2021 was not provided for audit review.

iii. The cash book for the salaries bank account held at Co-operative Bank of Kenya reflects nil balance as at 30 June, 2021 while the financial statements reflect Kshs.23,835. The resultant difference of Kshs.23,835 between the cashbook and bank statement balance was not explained or reconciled. In addition, the certificate of bank balance in support of the bank balance as at 30 June, 2021 was not provided for audit review.

509.3 Statement of Cash Flows

i. The statement of cash flows reflects transfers from the County Treasury/Exchequer releases amounting to Kshs.1,822,587,639 while the statement of receipts and payments reflects Kshs.1,822,585,639 resulting in unexplained variance of Kshs.2,000.

ii. In addition, the statement additionally reflects accounts payable adjustment balance of Kshs.95,410,144 which was not explained or supported yet the statement of assets and liabilities reflected nil movement in payables during the year under review.

509.4 Statement of Comparison of Budget and Actual Amounts

i. The statement of comparison of budget and actual amounts - recurrent and development combined is blank and does not reflect any amounts despite there being amounts reflected in individual statements of comparison of budget and actual amounts for recurrent and development. In addition, the actual on comparable basis balances in the individual statements are not in agreement with the aggregate actual amounts in the statement of receipts and payments.

ii. The individual recurrent and development statements of comparison of budget and actual amounts do not reflect original and final budget amounts while there are no explanations for significant variances between the actual and budgeted amounts

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as required by the International Public Sector Accounting Standards – Financial reporting under cash basis.

iii. The financial statements do not include a details of the budget execution by programmes and sub-programmes.

In view of the above, the accuracy and completeness of the financial statements for the year ended 30 June, 2021 could not be confirmed.

510. Unsupported Payments on Committee Allowance

The statement of receipts and payments for the year ended 30 June, 2021 reflects compensation of employees amounting to Kshs.803,724,929 which, as disclosed in Note 4 to the financial statements, includes personal allowances paid as part of salary amounting to Kshs.300,384,394 (2020: Kshs.226,709,669), an increase of Kshs.73,674,725 or 32% which has not been explained. Review of the allowances revealed that an amount of Kshs.90,311,000 which was paid as committee attendance allowances to the Members of County Assembly, MCAs. However, the meetings for which the allowances were paid for had been held virtually since the financial year fell within the COVID-19 pandemic period, and physical meetings could not be held.

Further, no evidence was provided in support of invitations sent for the virtual meetings, date and time when the meetings were held, members who logged into the meetings, how long the meetings lasted, and the resolutions of the meetings. No evidence regarding occurrence of the virtual meetings, the validity of expenditure amounting to Kshs.90,311,000 was provided.

In the circumstances, the accuracy and validity of expenditure totalling Kshs.90,311,000 could not be confirmed.

511. Unsupported Expenditure on Use of Goods and Services

The statement of receipts and payments reflects use of goods and services expenditure amounting to Kshs.638,095,160 as further detailed in Note 5 to the financial statements. Review of the expenditure revealed the following anomalies: -

511.1 Communication, Supplies and Services

The expenditure includes an amount of Kshs.9,687,634 incurred on communication supplies and services out of which payment vouchers for an expenditure amounting to Kshs.9,453,084 were not provided for audit verification.

511.2 Legal Expenses

The expenditure also includes an amount of Kshs.112,012,667 under other operating expenses amounting to which includes Kshs.79,026,985 in respect of legal expenses paid to various law firms who represented the County Assembly in various legal matters during the year. Review of a summary of cases handled by the private lawyers from the Legal Department revealed that in some of the cases, the Assembly was

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represented by up to four lawyers in a single matter while in most of the cases there were at least two lawyers handling a single matter. In addition, some of the cases lacked formal instructions to the lawyers to represent the County Assembly casting doubt on their validity.

511.3 Foreign Travel and Subsistence

Further, the expenditure includes an amount of Kshs.8,110,863 on foreign travel and subsistence. The expenditure relates to imprests issued in respect of a foreign trip to Dubai. However, supporting documents for the expenditure including air tickets and other travel documents evidencing travel to Dubai were not provided for verification. In addition, review of imprest records revealed a total of Kshs.10,884,122 in imprest was issued in respect of the trip, whereas only Kshs.8,110,863 had been surrendered as at 30 June, 2021, leaving Kshs.2,773,259 accounted for.

In the circumstances, the accuracy and completeness of foreign travel and subsistence expenditure amounting to Kshs.8,110,863 included in the use of goods and services and accounts receivable amounting to Kshs.183,538,625 reflected in the financial statements for the year under review could not be confirmed.

512. Acquisition of Assets – Over-statement of Acquisition of Asset Balance

The statement of receipts and payments reflects acquisition of assets expenditure amounting to Kshs.43,405,959 which, as disclosed in Note 10 to the financial statements, includes an amount of Kshs.15,500,772 incurred on purchase of specialized plant, equipment and machinery. However, a comparison of the ledger and cashbook analysis reflected separately, payments totalling to Kshs.15,487,092 and Kshs.15,237,880 respectively. The difference between the three sets of records was not explained or reconciled.

In the circumstances, the accuracy of expenditure on acquisition of assets amounting to Kshs.15,500,772 during the year under review could not be ascertained.

513. Pending Accounts Payables

Notes 1 and 2 on other disclosures to the financial statements reflects pending accounts payables and pending staff payables amounting to Kshs.56,766,811 and Kshs.129,856 respectively. According to the Notes, pending accounts payable carried forward from the year 2019/2020 amounting to Kshs.18,401,436 were paid during the year under review, while none of pending staff payables from prior year was settled. However, details of the bills paid and when they were paid was not provided for audit review.

Consequently, the accuracy of the pending accounts payable and pending staff payable of Kshs.567,798,667 could not be confirmed.

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Basis for Conclusion

514. Irregular Promotions

During the year under review, the County Assembly Service Board placed an advert inviting members of the staff to submit applications for consideration. However, only two (2) working days' notice was given for the submission of applications which was too short considering the advert was placed on Thursday 25 June, 2020 and closed on Monday 29 June, 2020. Further, interviews for all the positions were recorded as having been conducted on Saturday 4 and Sunday 5 July, 2020 which was over a weekend and at the height of the Covid-19 pandemic when there were travel restrictions. This may have been restrictive as qualified staff may have been excluded from the process for filling the vacant positions. Further, the County Assembly irregularly promoted four Directors who had not met the minimum qualifications for the jobs advertised without giving justifications for their promotion. This was contrary to Section 37 of Public Service Commission Act, 2017.

In the circumstances, Management was in breach of the law.

515. Irregular Payment of Temporary Wages

As disclosed in Note 4 to the financial statements, the statement of receipts and payments reflects compensation of employees amounting to Kshs.803,724,929 which includes basic wages of temporary employees amounting to Kshs.82,755,245. The amount includes an amount of Kshs.66,920,548 paid to employees in Ward offices. However, review of records in respect of the wages revealed that the Ward employees were recruited by the Members of the County Assembly (MCAs) in their respective Wards rather than by the County Assembly Management. The Board minutes approving the hiring of the Ward staff and documents regarding the recruitment of the employees, terms of engagement and signed contracts were not provided for audit.

Further, the Commission on Revenue Allocation (CRA) vide Circular No: CRA/CSO/CMG//9/VOL V/59 dated 21 October, 2020 capped the maximum number of employees at three per Ward, each earning a minimum of Kshs.30,341. However, examination of records provided for audit revealed that some Ward offices had as many as five employees some earning as low as Kshs.7,500 which is way below the set minimum wage.

In the circumstances, Management was in breach of law.

516. Unauthorized Expenditure

Examination of forty-nine (49) sampled payment vouchers revealed expenditure amounting to Kshs.258,543,178 paid for goods supplied, services rendered and works executed for the County Assembly revealed that the expenditure was not approved by

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the authorized Authority to Incur Expenditure (AIE) holders contrary to Regulation 24(1) of Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, Management was in breach of the law.

517. Committee Sittings

Review of sampled Delegated Legislation Committee minutes revealed that the County Assembly held nine (9) meetings which did not have any agenda except confirmation of previous meeting minutes. Further, three (3) of the above meetings did not meet the required quorum of one third of the membership hence contravening Standing Order No.170(2), therefore, the sitting allowances paid for these meetings were irregular.

In the circumstances, Management was in breach of the law.

518. Excessive Number of Participants in an MCAs Retreat

The domestic travel and subsistence expenditure amounting to Kshs.226,078,634 includes an amount of Kshs.13,285,600 incurred on Members of County Assembly (MCAs) retreat allowances in Mombasa between 1st to 5th October, 2020. The purpose of the retreat was a refresher training on County Assembly rules and procedures and to review the work of MCAs. Review of memos approving the retreat revealed that an additional thirty-five (35) officers were included in addition to directors, principal officers, and personal aides, accompanying the MCAs. The number was relatively high, and no justification was provided for the additional personnel who travelled including their roles in the retreat.

Consequently, the validity and value for money of expenditure amounting to Kshs.13,285,600 incurred in respect of the retreat could not be confirmed.

519. Failure to Adhere to the Board Appointment Requirement

During the year under review, appointment of members to the County Public Service Board was made under the First Schedule of the County Assemblies Act, 2017. Review of appointment process revealed the following anomalies;

i. No advertisement was placed by the Secretary of the Board with the authority of the Secretary to the Board, but instead the vacancies were declared and invitations sought from the Office of the Speaker and Chairperson of the Board, contrary to the mandatory requirement of Paragraph (1) and (2) of the First Schedule to the Act.

ii. The advertisement for the positions placed on 31 October, 2019, indicated an expiry date of 8 November, 2019 at 5:00pm, thereby giving applicants a notice period of only eight (8) days against the required mandatory fourteen (14) days requirement in Paragraph (2) of the First Schedule to the County Assembly Service Act, 2017.

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iii. The advertisement was placed in one leading local daily newspaper on 31 October, 2019, and was never gazetted contrary to the mandatory requirement of Paragraph (1) of the First Schedule to the County Assembly Service Act, 2017 which requires the notice to be placed in the gazette and at least two daily newspapers with national circulation;

iv. Appointments of two external members to the County Assembly of Nairobi City County Service Board, had not been published in the Gazette, which is a mandatory requirement of Paragraph (5) of the First Schedule to the Act.

v. A Board meeting held on 30 January, 2020 to recommend appointment of two external members to Board was attended by only two members which was below the quorum set out in Paragraph 5 of the Second Schedule to the County Assembly Service Act, 2017 which requires a quorum of three (3) members.

In the circumstances, Management was in breach of the law.

520. Non-Compliance with the Law on Fiscal Responsibility

The statement of receipts and payments reflects total expenditure of Kshs.803,724,929 on compensation of employees which represents 44% of the total revenue of Kshs.1,822,587,639 received during the year. This was contrary to the provisions of Regulation 25(1) (a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which limits the expenditure on wages and benefits to not more than 35% of the total revenue for the year.

In the circumstances, Management was in breach of the law.

521. Unapproved Travel Refunds and Claims

Review of travel and subsistence expenditure for the year under review revealed that Management made payments amounting to Kshs.4,731,100 to staff being refunds of expenditure incurred by staff on domestic travel and subsistence allowances instead of issuing imprests. No plausible explanation was provided on why the concerned staff were not issued with imprests before undertaking the assignments and activities, and instead made expenditure claims. Further, there were no approvals for travel prior to the assignments. This is contrary to the provisions of Regulations 91(2) and 93(4) of the Public Finance Management (County Governments) Regulations, 2015, on management of temporary imprest.

In the circumstances, Management was in breach of the law.

522. Irregular Use of Direct Procurement Method

As disclosed in Note 5 to the financial statement, the statement of receipts and payments reflects an expenditure amounting to Kshs.638,095,160 on use of goods and services which includes an amount of Kshs.1,280,343 incurred on specialized materials and services. Review of the expenditure revealed the that amount was incurred on personal protective equipment comprising face masks, sanitizers, and

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hand wash for COVID-19 prevention. The procurement was done through direct procurement method contrary to Section 103(2) of the Public Procurement and Asset Disposal Act, 2015. No explanation was provided for use of direct procurement, as the items were included in procurement plan for the year hence foreseeable. In addition, there were many known suppliers of the items in the market.

In the circumstances, Management was in breach of the law.

523. Outstanding Imprests

As disclosed in Note 14 to the financial statements, the statement of assets and liabilities reflects accounts receivables - outstanding imprests amounting to Kshs.183,538,625. However, details of the outstanding imprests such as names of imprest holders, date of issue, dates due, amounts surrendered and outstanding balance as at 30 June, 2021 were not provided for audit review. Further, there were no recoveries made during the year for imprests that were long outstanding contrary to Regulation 93(5) and (6) of the Public Finance Management (County Governments) Regulations, 2015.

Consequently, Management was in contravention of the law.

524. Irregular Payment to County Assembly Forum

During the year under review, Management paid an amount of Kshs.7,750,000 towards County Assembly Forum whose registration is not formalized as a public entity which can receive public funds.

In the circumstances, Management was in breach of the law.

525. Payment of Honoraria Allowance

As disclosed in Note 5 to the financial statements, Management paid an amount of Kshs.112,012,667 for other operating expenses which includes Kshs.12,826,271 paid as honoraria to staff who were members of various committees. However, the honoraria payments were not approved by the Salaries and Remuneration Commission (SRC) as required in Regulation 119(5) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, Management was in breach of the law.

526. Non-Remittance of Taxes

Review of payment vouchers in the cashbook revealed that most suppliers and service providers were paid amounts net of Value Added Taxes (VAT) and withholding taxes as applicable. However, withheld taxes totalling Kshs.5,882,908 had not been remitted to the Kenya Revenue Authority as required by the VAT Act. Non-remittance of the taxes had led to accumulation of unpaid taxes with no cash flows to settle unpaid amounts although the amount had been budgeted for.

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In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

527. Failure to Maintain AIE Holders Register

Examination of payment vouchers related to printing, advertising, and information supplies and services, training expenses and rentals of produced assets revealed that the payment vouchers were authorize by three (3) different officers. However, a register of Authority to Incur Expenditure (AIE) holders and their specimen signatures was not provided for audit review.

In the absence of the register, appointment letters and their specimen signatures, it was not confirmed whether adequate internal control systems were in place to mitigate against risks in expenditure processing.

528. Lack of an Updated Assets Register

Annex 4 to the financial statements reflects a summary of non-current asset register which does not contain any amounts for assets classes but have been left blank. Further, review of a fixed asset register provided for audit review revealed that computers and printers listed in the register had no serial numbers. In addition, the register was last updated in 2018/2019 financial year.

As a result, the existence of an effective internal controls systems to safeguard the County Assembly's assets both at the Headquarters and Ward Offices could not be ascertained.

529. Overlapping Committee Retreats

Four committees comprising the Labour and Social Services, Trade, Tourism and Cooperatives, Member Services and Facilities, and Culture and Community Services, held their quarterly retreat in Mombasa between 19 and 22 October, 2020. Similarly, the Environment and Natural Resources, Health Services, Planning and Housing Committees held their quarterly retreat in Mombasa from 15 to 18 October, 2020. Additionally, the Children, Early Childhood Development (ECD) and Vocational Committee, Justice and Legal Affairs Committee and Delegated Legislation Committee held their quarterly retreat from 23 to 26 October, 2020. A review of the Committee official membership documents and approved memos provided for audit revealed that among the listed committees, there were members who belonged to more than one committee. However, it was not clear how the members were able to attend to different committee businesses at the same time.

Further, the County Assembly did not maintain an imprest register, which made it difficult to confirm the overlapping committee imprests and sitting allowances to members who belonged to more than one committee.

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In circumstance, the internal control system was weak to mitigate against the risk of double payment.

530. Un-Approved Training Plan

Review of training plan for the financial year 2020/2021 provided for audit revealed that training needs identified by user departments and target groups with a budget of Kshs.81,538,916 included details such as course title, names of the participants, training institutions or facilitator, proposed venue, training dates, duration, facilitation fees, conference facilities and transport cost for participants. However, the training plan was not approved by the County Assembly training committee.

Consequently, the training activities implemented during the year were not reviewed for reasonableness.

531. Failure to Adhere to the Approved Staff Establishment

A comparison of the approved staff establishment for the County Assembly against staff in position during the year under review revealed that in some positions, Management had through promotion or new employment engaged more staff than were provided for in the staff establishment as tabulated below:

Job Title	Number of Employees	Number of Employees as Per Staff Establishment	Variance
Sergeant-At-Arms II	9	7	2
Clerk Assistant I (Promoted)	18	8	10
Personal Assistant for Deputy Speaker (Employed)	2	1	1
Personal Assistant - Office of the Leader of the Minority (Employed)	2	1	1
Personal Assistant - Office of the Speaker (Employed)	2	1	1
Messenger - Office of the Speaker (Employed)	2	1	1

No explanation was provided for over staffing beyond the approved budget for the year.

In the circumstances, County Assembly of Nairobi City County risks having a bloated workforce which may lead to increased and unsustainable wage bill.

CONCLUSION

The detailed reports for the County Assemblies for the year ended 30 June, 2021, together with my opinion are contained in the respective County Assembly's audited financial statements for the year ended 30 June, 2021, which I have already submitted to the respective County Assemblies.

APPRECIATION

I wish to sincerely thank the entire staff of the Office of the Auditor-General for their commitment, passion and professionalism in carrying out their duties. Special appreciation goes to the Report review and finalization team that prepared this Consolidated Audit Report.

I wish also to appreciate my clients/auditees for the cooperation they accorded my staff during the audit.

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CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 November, 2022

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Appendix A: List of County Assemblies and Audit Opinions given on their Financial Statements

1. Certificates with Unqualified Opinion

County Code	County Assembly	Opinion
3	Kilifi	Unqualified
28	Elgeyo Marakwet	Unqualified
34	Kajiado	Unqualified
36	Bomet	Unqualified
46	Nyamira	Unqualified

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2. Certificates with Qualified Opinion

County Code	County Assembly	Opinion
1	Mombasa	Qualified
2	Kwale	Qualified
4	Tana River	Qualified
6	Taita/Taveta	Qualified
7	Garissa	Qualified
8	Wajir	Qualified
9	Mandera	Qualified
10	Marsabit	Qualified
11	Isiolo	Qualified
12	Meru	Qualified
13	Tharaka-Nithi	Qualified
14	Embu	Qualified
15	Kitui	Qualified
16	Machakos	Qualified
17	Makueni	Qualified
19	Nyeri	Qualified
20	Kirinyaga	Qualified
21	Murang'a	Qualified
22	Kiambu	Qualified
23	Turkana	Qualified
25	Samburu	Qualified

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County Code	County Assembly	Opinion
26	Trans Nzoia	Qualified
27	Uasin Gishu	Qualified
29	Nandi	Qualified
30	Baringo	Qualified
31	Laikipia	Qualified
32	Nakuru	Qualified
33	Narok	Qualified
35	Kericho	Qualified
37	Kakamega	Qualified
38	Vihiga	Qualified
39	Bungoma	Qualified
40	Busia	Qualified
41	Siaya	Qualified
42	Kisumu	Qualified
43	Homa Bay	Qualified
44	Migori	Qualified
45	Kisii	Qualified

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3. Certificates with Adverse Opinion

County Code	County Assembly	Opinion
5	Lamu	Adverse
18	Nyandarua	Adverse
47	Nairobi City	Adverse

4. Certificates with a Disclaimer of Opinion

County Code	County Assembly	Opinion
24	West Pokot	Disclaimer

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