REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

# REPORT

# OF

# THE AUDITOR-GENERAL

# ON

# THE FINANCIAL STATEMENTS OF COUNTY GOVERNMENT OF KERICHO

## FOR THE YEAR ENDED 30 JUNE 2015

# REPUBLIC OF KENYA

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# OFFICE OF THE AUDITOR-GENERAL

## REPORT OF THE AUDITOR-GENERAL ON COUNTY GOVERNMENT OF KERICHO FOR THE YEAR ENDED 30 JUNE 2015

### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of County Government of Kericho set out on pages 11 to 47, which comprise statement of assets as at 30 June 2015, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229(4) of the Constitution of Kenya and Section 8 of the Public Audit Act 2003.

**Management's Responsibility for the Financial Statements**

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 4 of the Public Audit Act, 2003.

**Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 9 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County Government's internal control. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I am not able to obtain sufficient appropriate audit evidence to provide a basis for an opinion.

**Basis for Disclaimer of Opinion**

**1.0 Inaccurate Revenue Balance**

The statements of receipts and payments reported other receipts of Kshs.413,581,000 as at 30 June 2015. However, according to cash collection receipt books and monthly revenue analysis, revenue totaling Kshs.406,687,079 was collected during the year under review. The resultant difference of Kshs.6,893,921 was explained as direct deposits to County Revenue Fund Account health facilities but, no bank pay in slips or bank statements were presented for audit verifications to confirm the direct deposits.

In the absence of the banking documents, supporting direct deposits, the correctness of internally collected revenue of Kshs.413,581,000 could not be confirmed.

**2.0 Transfer to Other Government Units**

The financial statements reflects Kshs.20,220,000 as transfer to Other Government entities in the statement of receipts and payments. However, bank statements and expenditure returns from the health facilities which benefited from the grant were not produced for audit verification and it was therefore not possible to confirm how the amount was spent.

In the circumstances, the propriety of the expenditure could not be confirmed.

**3.0 Cash and Cash Equivalents – Bank Reconciliation Statement**

Bank balances reported as per the bank reconciliation statements for County Recurrent and Development accounts differed with the IFMIS Cash book balances submitted for audit. For example, Recurrent cash book balance as per the reconciliation statement showed Kshs.2,095,993 while IFMIS cash book balance was Kshs.1,141,922. The difference of Kshs.954,071 was not explained. Similarly, the development cash book balance as reflected in the reconciliation statement reflected Kshs.2,844,441 while IFMIS Cash book was Kshs.7,718,690 thereby occasioning unexplained difference of Kshs.4,874,249. Further, the balances differed significantly with what is reported under cash and cash equivalent in the statement of assets. The County Treasury has not been able to explain the difference. In the circumstance, it has not been possible to confirm the bank balances for both recurrent and development vote as at 30 June, 2015.

## 4.0 Acquisition of Assets

The statement of receipts and payments reported acquisition of assets of Kshs.1,197,737,000. The assets included Building Structures, Transport equipment, office equipment, furniture and fittings, ICT equipment, software and other ICT assets, other machinery and equipment and access roads and water community assets. However, a fixed assets register showing the location of assets was not produced for audit and it was therefore not possible to carry out physical verifications.

In the circumstances, it was not possible to confirm the accuracy and existence of the assets.

## 5.0 Omitted Assets and Liabilities from the Defunct Local Authorities

As reported previously, the County Government of Kericho inherited assets and liabilities of undetermined value from the defunct local authorities located within the County. However, no identification, valuation and formal handing over by the Transition Authority to the County Government had been done as at 30 June 2015 despite the assets being in use.

Failure to identify, validate, value and record both the assets and liabilities of the defunct local authorities may occasion loses as the ownership of the assets is in doubt and therefore not recorded in the books of the County Government.

## 6.0 Budget Performance Analysis

During the year under review, the approved supplementary budget for County Government of Kericho was Kshs.4,814,640,083 with Kshs.3,117,052,155 (65%) allocated to recurrent and Kshs.1,697,587,928(35%) to Development as follows:-

| Item | Actuals 2014/2015 | Budgeted Allocation 2014/2015 | Absorption rate % | % of Total Expenditure |
|---|---|---|---|---|
| Recurrent | 3,041,139,376 | 3,117,052,155 | 97% | 69% |
| Development | 1,362,428,683 | 1,697,587,928 | 80% | 31% |
| **Total** | **4,403,568,059** | **4,814,640,083** | **91%** | |

The following was noted:

i) Review of the budget performance shows that the county spent Kshs.1,362,428,683 on development expenditure which is 31% of total expenditure. The expenditure was within the requirement of section 107 (2) b of PFM Act, 2012 which requires that over the medium term, a minimum of thirty (30) percent of the county government's budget shall be allocated to development expenditure.

ii) The expenditure on the development vote of Kshs.1,1362,428,683 relates to 303 projects completed during the year out of the 682 planned for implementation.

## 7.0 Under /Over Expenditure

| Item | Budget 2014-2015 | Actuals 2014-2015 | Over | Under |
|---|---|---|---|---|
| Compensation of Employees | 1,884,782,000 | 1,822,225,000 | | 62,557,000 |
| Use of Goods and Services | 991,182,000 | 954,169,000 | | 37,013,000 |
| Transfers to Other Government Entities | 20,220,000 | 20,220,000 | - | - |
| Other Grants and Transfers | 278,000,000 | 278,000,000 | - | - |
| Social Security Benefits | 30,349,000 | 12,137,000 | - | 18,213,000 |
| Acquisition of Assets | 1,619,109,000 | 1,197,737,000 | | 490,683,000 |
| **Total** | **4,823,642,000** | **4,284,488,000** | | |

From the above analysis, it is clear that the county under spent on Compensation of employees, Use of Goods and Services, Social Security benefits and Acquisition of Assets.

## 8.0 Recurrent Expenditure for 2014/2015

During the year under review, the approved supplementary budget for County Government of Kericho was Kshs.4,814,640,083 with Kshs.3,117,052,155 (65%) allocated to the recurrent expenditure. The review of the budget performance shows that the County spent a total of Kshs.3,041,139,376, on recurrent expenditure as shown below:-

| | Budget Kshs | Actual Expenditure Kshs | Absorption % |
|---|---|---|---|
| County Assembly Services | 569,589,133.00 | 569,589,133.00 | 100% |
| Finance and Economic Planning | 208,195,150.00 | 182,953,860.00 | 88% |
| Agriculture, Livestock and Fisheries | 151,613,946.00 | 150,583,971.00 | 99% |
| Health services | 1,267,718,177.00 | 1,265,963,541.00 | 99% |
| Education, Youth, Children Culture and Social Services | 260,630,975.00 | 251,547,913.00 | 97% |
| Land, Housing and Physical Planning | 31,986,292.00 | 26,866,012.00 | 84% |
| Public Works, Roads and Transport | 51,621,691.00 | 44,344,098.00 | 86% |

| | | | |
|---|---|---|---|
| Water, Energy, Natural resources and Environment | 51,947,845.00 | 49,016,627.00 | 94% |
| Public Service and Administration | 275,964,737.00 | 262,235,694 | 95% |
| Office of the Governor and Deputy Governor | 114,734,573.00 | 113,467,153 | 99% |
| County Public Service Board | 49,077,882.00 | 42,391,722.00 | 86% |
| Trade, Industrialization, Tourism , Wildlife and Co-operative Development | 65,178,887.00 | 65,095,093.00 | 100% |
| Information Communication and E-Government | 18,792,865.00 | 17,084,559.00 | 91% |
| **Total expenditure** | **3,117,052,153.00** | **3,041,139,376.00** | 97.6% |

The absorption of the recurrent budget was 97.6 % a clear indication the expenditure was within the budget.

## 9.0 Development Expenditure for 2014/2015

A total of Kshs.1,697,587,928 was allocated to ten departments during the year 2014/2015 to finance 682 projects. However, the implementation of these projects was behind schedule, as at 30 June 2015 as only Kshs.1,362,428,683 had been spent representing only 80% of the budgeted amount. The number of projects budgeted for during the year and their levels of completion are tabulated below:

| Department | Budget 2014-2015 (Kshs) | Actual Expenditure (Kshs) | No of Project budgeted | No of Projects Completed | % Level of Completion |
|---|---|---|---|---|---|
| County Assembly | 9,168,471 | 9,168,471 | Not specified | 0 | 0 |
| Finance and planning | 15,538,000 | - | 1 | 0 | 0 |
| Public Works, Roads and Transport | 716,018,111 | 714,666,783 | 176 | 81 | 48% |
| Education, youth, culture and social services | 204,906,700 | 151,110,097 | 189 | 23 | 74% |
| Water, Environment and Natural Resources | 142,952,316 | 82,478,227 | 141 | 82 | 58% |
| Health Services | 200,650,000 | 116,418,504 | 115 | 68 | 12% |
| Trade, Industrialization, Tourism, Wildlife and Co-operative Development | 146,150,000 | 119,481,421 | 28 | 24 | 32% |
| Department of agriculture, livestock and fisheries | 160,040,000 | 122,873,475 | 13 | 8 | 78% |

| | | | | | |
|---|---|---|---|---|---|
| Information, Communication& E-Government | | | 10 | 9 | 95% |
| Department of lands, housing and physical planning | 77,738,000 | 46,231,706 | 9 | 8 | 60% |
| **Total** | **1,697,587,928** | **1,362,428,683** | **682** | **303** | **57%** |

**Additional observations**

i. It has been confirmed that out of the 682 projects planned for implementation in various ministries, only 303 projects had been completed leaving 379 as on going. The delay was caused by irregular and untimely release of funds by National Treasury and it affected the implementation of projects in the year ended 30 June 2016.

ii. The department of Trade, Industrialization, Tourism, Wildlife and Cooperative Development was allocated Kshs.146,150,000. However, Kshs.100,000,000 of the allocation was transferred to Youth Enterprise Fund and had not been spent as at 30 June 2015.

iii. The County Assembly was allocated Kshs.9,168,471 for the refurbishment of buildings housing the assembly.

iv. The department of Education was allocated Kshs.204,906,700 of which Kshs.100,000,000 was allocated for Bursaries, Kshs.90,000,000 for construction of ECD classrooms and remaining balance on Sports and Youths. Construction of ECD classrooms was to be done in each ward at a cost of Kshs.500,000. The first disbursement was Kshs.300,000 and the second was Kshs.200,000 that was to be disbursed to projects which had submitted expenditure returns for Kshs.300,000. Since the projects were implemented by School Management Committees, some may have challenges in preparing the returns resulting to delay in further funding and eventual delay in project implementation.

## 10.0 Revenue Analysis

The County realized a total of Kshs.413,581,433 from local revenue which surpassed the targeted revenue of Kshs.386,000,000 by Kshs.27,581,433. The County received exchequer releases of Kshs.4,412,428,671 which was below the budgetary allocation by Kshs.402,211,412 as shown below:-

| | **Budget** | **Actuals** | | |
|---|---|---|---|---|
| **Item** | **2014-2015 (Kshs)** | **2014-2015 (Kshs)** | **Over (Kshs)** | **Under (Kshs)** |
| Exchequer releases | 4,428,640,038 | 4,412,428,671 | | 402,211,412 |
| Other Receipts | 386,000,000 | 413,581,433 | 27,581,433 | |

| | | | | |
|---|---|---|---|---|
| **Total** | **4,814,640,038** | **4,826,010,104** | | |

## 11.0 Lack of Consolidated Revenue Database at the County Treasury

The Kericho County Treasury did not maintain a consolidated revenue database. Consequently, it was not possible to confirm whether the collected revenue of Kshs.413,581,433.20 surpassed the projected revenue of Kshs.386 Million. Analysis of the revenue collected as detailed below revealed actual revenue collected during the year under review of Kshs.406,687,068 and not Kshs.413,581,433.20 as disclosed in the financial statements.

| **Actual Revenue Collection versus the Budgeted Revenue** | | | |
|---|---|---|---|
| **Income Type** | **Budgeted Revenue (Kshs** | **Actual Revenue (Kshs)** | **Difference (Kshs)** |
| Single Business Permit | 50,249,587 | 50,064,161 | -185,426 |
| Land Rates and Rent | 57,570,252 | 77,919,593 | 20,349,341 |
| House/Kiosk/Stall Rent | 10,382,252 | 11,710,492 | 1,328,240 |
| Car Parking Fees | 14,340,860 | 14,777,980 | 437,120 |
| Bus Park Fees | 33,253,440 | 33,604,740 | 351,300 |
| Advertisement | 8,646,950 | 8,364,853 | -282,097 |
| Public Health and Sanitation | 7,529,230 | | -7,529,230 |
| Imp. Fees assorted item penalties | 3,406,934 | 3,387,376 | -19,558 |
| Slaughter Fees | 2,960,210 | 3,136,875 | 176,665 |
| Market Trade Fees | 26,141,005 | 26,244,354 | 103,349 |
| Refuse Collection | | 5,740,102 | 5,740,102 |
| Registration/Application Technical | | 24,454,985 | 24,454,985 |
| Assistance/Plan | 2,899,649 | 2,999,442 | 99,793 |
| Parks and Open Spaces, Premises use/hire of hall | 178,600 | 230,575 | 51,975 |
| Hire, Nursery school | 164,400 | 145,900 | -18,500 |
| Cemetery Fees/Stock | 18,000 | 20,500 | 2,500 |
| Sales/Livestock/Movement Cess-produce, timber/F. wood | 2,418,920 | 2,457,020 | 38,100 |
| Logs/Quarry/Stamps, Transfer/ clearance certificate | 17,787,590 | 17,873,861 | 86,271 |
| Boda boda fee/motor cycle | 1,409,900 | 1,329,700 | -80,200 |
| Barrier fee | 179,330 | 179,330 | 0 |
| Sale of coffee parchment | 1,326,999 | 1,076,999 | -250,000 |
| Weights and Measures | 1,669,830 | 1,119,000 | -550,830 |
| District Veterinary services | 7,491,282 | 7,465,232 | -26,050 |

| | | | |
|---|---|---|---|
| Heath Services | 110,000,000 | 111,705,968 | 1,705,968 |
| Audit fee | 390,560 | 272,280 | -118,280 |
| Liquor application fee | 130,000 | 130,000 | 0 |
| Agriculture/Livestock and Fisheries | | 3,050 | 3,050 |
| Change of user | 251,300 | 272,700 | 21,400 |
| Miscellaneous | 25,202,920 | | -25,202,920 |
| **Total** | **386,000,000** | **406,687,068** | **20,687,068** |

The difference between the actual revenue collected and the reported balance in the financial statements was not explained.

## 12.0 Governor's Budget Performance Analysis

The budget performance analysis for the Office of Governor for the year under review is as indicated below:

| **Governor's Budget Analysis** | | | |
|---|---|---|---|
| **S/No** | **Items** | **Approved Budget (Kshs)** | **Actual Expenditure (Kshs)** |
| 1 | Accommodation | 5,750,000 | 4,548,680.00 |
| 2 | Advertising, Awareness and Publicity Campaigns | 1,500,000 | 1,411,457.00 |
| 3 | Basic Salaries - Civil Service | 25,672,152 | 25,355,752.00 |
| 4 | Boards, Committees, Conferences and Seminars | 2,000,000 | 1,971,001.00 |
| 5 | Catering Services (receptions), Accommodation, Gifts, Food and Drinks | 3,072,000 | 3,074,878.00 |
| 6 | Confidential Expenditures | 1,000,000 | 780,583.00 |
| 7 | Contracted Guards and Cleaning Services | 200,000 | 107,000.00 |
| 8 | Contracted Professional Services | 13,400,000 | 7,427,905.00 |
| 9 | Courier & Postal Services | 500,000 | 250,170.00 |
| 10 | Daily Subsistence Allowance | 6,000,000 | 4,861,955.00 |
| 11 | Electricity | 300,000 | 254,155.00 |
| 12 | Entertainment Allowance | 1,728,000 | 1,416,052.00 |
| 13 | General Office Supplies (papers, pencils, forms, small office equipment etc) | 300,000 | 215,968.00 |
| 14 | Gratuity - Civil Servants | 7,247,965 | 6,273,554.00 |
| 15 | Hire of Transport, Equipment | 1,200,000 | 1,126,145.00 |
| 16 | House Allowance | 4,567,200 | 3,898,628.00 |
| 17 | Internet Connections | 100,000 | 233,046.00 |
| 18 | Leave Allowance | 100,000 | - |
| 19 | Maintenance Expenses - Motor Vehicles | 1,000,000 | 1,257,571.00 |
| 20 | Maintenance of Buildings and Stations -- Non-Residential | 50,000 | 80,000.00 |
| 21 | Maintenance of Computers, Software, and Networks | 100,000 | 99,000.00 |

| | | | |
|---|---|---|---|
| 22 | Maintenance of Office Furniture and Equipment | 50,000 | 33,292.00 |
| 23 | Membership Fees, Dues and Subscriptions to Professional and Trade Bodies | 20,300,000 | 23,900,870.00 |
| 24 | Personal Allowances paid - Oth | 672,000 | 112,507.00 |
| 25 | Publishing & Printing Services | 500,000 | 367,950.00 |
| 26 | Purchase of Computers, Printers and other IT Equipment | 500,000 | 500,000.00 |
| 27 | Purchase of Office Furniture and Fittings | 300,000 | 217,499.00 |
| 28 | Purchase of Photocopiers | 0 | - |
| 29 | Purchase of Uniforms and Clothing - Staff | 100,000 | 100,000.00 |
| 30 | Refined Fuels and Lubricants for Transport | 3,000,000 | 2,068,942.00 |
| 31 | Sanitary and Cleaning Materials, Supplies and Services | 200,000 | 200,000.00 |
| 32 | Security Operations | 600,000 | 200,000.00 |
| 33 | State Hospitality Costs | 2,000,000 | 1,974,155.00 |
| 34 | Subscriptions to Newspapers, Magazines and Periodicals | 500,000 | 422,058.00 |
| 35 | Supplies and Accessories for Computers and Printers | 200,000 | 34,800.00 |
| 36 | Telephone, Telex, Facsimile and Mobile Phone Services | 1,000,000 | 668,000.00 |
| 37 | Transport Allowance | 3,036,000 | 2,507,635.00 |
| 38 | Travel Costs (airlines, bus, railway, etc.) | 4,589,256 | 4,312,184.00 |
| 39 | Tuition Fees Allowance | 1,200,000 | 969,586.00 |
| 40 | Water and Sewerage Charges | 200,000 | 100,000.00 |
| | **Total** | **114,734,573** | **103,332,978.00** |

The budget performance analysis disclosed that the expenditure was incurred on recurrent vote only. The analysis revealed that the total approved budget was Kshs.114,734,573 and the actual expenditure was Kshs.103,332,978 leaving unspent balance of Kshs.11,401,595. Further, the analysis disclosed that 50% of the actual expenditure was on compensation of employees and travelling and accommodation expenses.

## 13.0 Delayed Completion of Project

The contract for extension and refurbishment of Governor's Office was awarded to M/s Korso Enterprises Ltd vide contract number CGK/T/135/2013/2014 which was signed on 9 May 2014 at a cost of Kshs.30,175,170 and a Local Service Order( LSO) number 0965467 issued to the contractor. According to the contract agreement between County Government of Kericho and Korso Enterprises Co. Ltd, the duration of contract was 26 Weeks from the date of the agreement and the expected date of completion was 10 November 2014. During a site meeting held on 26 May 2015, the Contractor acknowledged slow pace of work and cited reasons for the delay and requested for an extension of the contract period. An extension was granted and the expected date of completion of the project was 31 August 2015. However, physical verification carried out on 6 January 2016 revealed that the project was approximately 60% complete and

the extension granted had expired. The contractor had been paid Kshs.20,059,275 for the certified works as at 30 June 2015. Although the County is yet to pay Kshs.10,115,895 on the contract.

No satisfactory explanation was given for the continuous delay in completing the project.

### 14.0 Road Works

During the year 2014/2015, the County Government budgeted to spend Kshs.615,000,000 on the construction of its major roads. The actual expenditure was Kshs.597,741,291 which resulted to un explained under expenditure of Kshs.17, 258,709.
It was however observed that one hundred and forty one (141) roads were contracted at a cost of Kshs.569, 879,485 during the year under review. Physical verification of the road projects carried in January 2016 revealed that seventeen (17) roads valued at Kshs.14,287,254.40 were being constructed at a very slow pace.

In addition, a total of thirty nine (39) in house roads covering a distance of 104.4 km at a cost of Kshs.106,568.77 were constructed through labour based works. However, as at the time of inspection in January 2016, only forty seven percent (47%) of the roads had been completed, while the remaining fifty three percent (53%) were on-going.
No explanation was given for the slow implementation of the projects.

### 15.0 Cancelled Bursary Cheques

Examination of bursary expenditure records disclosed that cheques worth Kshs.15,148,815 drawn in favour of various Institutions were cancelled for various reasons. Although the County Government has produced some evidence showing the cancelled cheques were replaced, no details were provided to show cheques worth Kshs.1,954,750 were replaced.

In addition, it was observed that, the County Government breached section 4(a) of the Kericho County Bursaries Act, 2014 which requires an allocation of 2% of the County revenue fund to bursary fund by allocating 3.4% as confirmed through the response to the management letter reference KEC/2/8 dated 22March 2016. No explanation was given for non-compliance.

In the circumstances, the needy and deserving students may not have benefited from the fund.

### 16.0 Subsidies to Small Business, Cooperatives, and Self-Employed

The Kericho County Enterprise Fund received a total of Kshs.100,208,600 from the County Government during the year and the first disbursements of Kshs.50,000,000 was made on 22 September 2014 and the remaining balance of Kshs.50,000,000 on 15 May 2015. A further cash deposit of Kshs.208,600 was made on 30 March 2015. The Fund earned an Interest of Kshs.973,346 for the period ended 30 June 2015. However, it was observed that no funds had been spent as at 30 June 2015 and it was not clear why the fund failed to spend the amount.

Although, the underutilization of funds was attributed to the length vetting process and non-training of the successful entrepreneurs, it was not clear why the vetting process had not been done despite the first disbursement to the fund having been made in September 2014.

### 17.0 Water Projects

An examination of water projects records and site inspection visits conducted on diverse dates in January 2016 disclosed that, out of the 48 water projects worth Kshs.79,903,202 initiated and implemented, only 20 water projects valued at Kshs.35,587,484.50 were complete and functional.

The remaining twenty eight (28) water projects worth Kshs.44,315,718.80 were carried forward to the financial year 2015/2016 and were either incomplete and waiting for further funding.(**See Appendix 1).** The major challenge faced by the department of water is the allocation of equal amounts to all wards by the County Assembly irrespective of the scope of projects to be undertaken. Equal funding makes it difficult for projects of different sizes in different wards.

This may therefore result to wastage of public funds if no funds are set aside for their completion.

### 18.0 Non -Deduction of Retention Money

Examination of expenditure records relating to construction works disclosed that, several water masonry tanks were constructed in various sub-counties within the county. However, retention money totaling Kshs.1,009,691.00 was not deducted from the contractors. Although it has been explained the bids floated to the tenderers had no provision for retention money, it was not explained how the County Government could compel a contractor to re-do the work in the event some defects are detected immediately after the handover of the project.

### Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

**FCPA Edward R.O. Ouko, CBS**
**AUDITOR-GENERAL**

**Nairobi**

**15 September 2016**