REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY GOVERNMENT OF KAJIADO

FOR THE YEAR ENDED 30 JUNE 2015

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke

P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of County Government of Kajiado set out on pages 10 to 37, which comprise the statement of financial position as at 30 June 2015, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 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 7 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 audit opinion.

Basis for Disclaimer of Opinion

1. Assets and Liabilities

1.1 Assets and Liabilities Inherited from the Defunct Local Authorities in Kajiado County

As mentioned in the previous period, the financial statements do not include the assets amounting to Kshs.91,605,348 acquired in the 4 months ending 30 June 2013 and assets and liabilities of the Defunct Local Authorities and other devolved functions although the County management took possession of them. In addition, as mentioned in the previous period, the Transition Authority did not formally transfers the assets and liabilities of the defunct local authorities in Kajiado to the County Government of Kajiado. It is not yet clear when these assets and liabilities will be handed over to the County Government.

Consequently, the completeness and accuracy of assets and liabilities reflected in the notes and annexes to the financial statements could not be confirmed.

1.2 Acquisition Of Assets

The statement of receipts and payments reflects an amount of Kshs.1,512,171,277 under acquisition of assets for the year ended 30 June 2015. Examination of records revealed that an amount of Kshs.16,486,576 disclosed as cost of acquisition of assets was actually spent on the renovation of machinery and equipment. The treatment of the expenditure as capital expenditure was contrary to IPSAS I in respect of presentations and classifications of items in the financial statements.

1.3 Lack of a Fixed Assets Register

During the year under review, assets increased by Kshs.1,512,171,277 from Kshs.478,156,824 in 2013/2014. However, it was noted that the County Government does not maintain un updated Fixed Assets Register of its assets. Consequently, the nature, state and location of the assets could not be established when required.

In the circumstances, the completeness, accuracy and existence of assets balance of Kshs.1,512,171,277 acquired during the year and prior years could not be confirmed.

2. Pending Accounts Payable

Annex 1 to the financial statements reflects pending bills amounting to Kshs.1,056,328,567 compared to the previous year's balance of Kshs.906,785,955. However, the County Government does not maintain a register of individual creditors or ledgers. In addition, the County Government did not have an analysis of the pending bills or any other records indicating the existence of the pending bills.

Further annex 1 to the financial statements reflects an amount of Kshs.352,576,221 on pending bills in the year ending 30 June 2014. However, records available indicate that pending bills as at 30 June 2014 amounted to Kshs.600,000,000.

Consequently, the accuracy and completeness of pending bills disclosed in annex 1 to the financial statements could not be confirmed.

3. Cash & Cash equivalents

The statement of financial position reflects an amount of Ksh.271,792,738 under cash and bank balance, which includes bank balance of Kshs.270,985,056 and Kshs.807,682 as cash balances. However, the cash book balances in respect of Deposits Account No. 1000199008 amounting to Kshs.47,189,414 was not supported.

In the circumstances, the completeness and accuracy of cash and cash equivalents balance reflected in the statement of financial position could not be confirmed.

4. Expenditure

4.1 Payments processed by either original or duplicate Local Purchase Orders (LPO)

The statement of receipts and payments reflects an amount of Kshs.1,454,670,371 under use of goods and services. Included in the expenditure on goods and services is an amount of Kshs.13,764,550 paid to four firms contracted by the County to supply goods during the period under review. It was however observed that, either original or duplicate copies of LPOs were attached to payment vouchers and used to process these payments instead of the triplicate copies as required by the Financial Orders and Regulations as shown in the table below:-

PV no.	Date paid	Payee	Description	Amount paid (Ksh)
1693	29/10/2014	Udichem Diagnostics	Supply of hospital drugs to Health Ministry	7,919,000
3667	22/12/2014	Duke Agencies Ltd	Supply of hospital goods to Health ministry	2,750,550
3660	22/12/2014	Duke Agencies Ltd	Supply of 10 bed cradles, 10,patient bed amenity, 10 mattress amenity and 50 blankets for the ministry of health	607,500
3301	18/12/2014	Geralyn Supplies	Supply of 500 packets of disposable syringes and 5 executive desks 200mm long	2,487,500
Total amount paid (Kshs)				**13,764,550**

Use of original or duplicate copies of LPOs exposes the County to possible risks, where payments can be made multiple times using the same details.

Further, this raises doubt as to whether the goods were actually ordered when the original LPOs are still held by the procuring entity and used for processing payments.

Under the circumstances, the validity of the expenditure on use of goods and services amounting to Kshs.13,764,550 could not be ascertained. In addition, the validity of the whole expenditure of Kshs.1,454,670,371 could not be confirmed.

4.2 Provisional Sums paid without Supporting Documents

The statement of receipts and payments reflects expenditure totalling Kshs.1,512,171,277 under acquisition of assets. However a review of the various projects sampled revealed that payments amounting to Kshs.13,082,021 were made in respect of contracts and charged as provisional sums as shown below:-

Provisional Sums Paid

Project Title	Contractor	Contract Sum (Kshs)	% Of Completion	Value Of Certified Works (Kshs)	Provisional Sums Paid (Kshs)
Nong Public Sanitation Block	Mbesu Investments Ltd	5,999,850	100	5,999,852	300,000
Construction of Esonorua Water Project	Mwelwa Contractors	5,380,000	100	5,380,000	1,520,000

Renovation of Cooperative Building	Stoneset Builders & Supplies Box 27 Kajiado	3,441,506			557,960
Construction of Matasia Health centre	M/s Olgilai contractors Ltd	14,998,783	95	14,302,782	1,300,000
Maternity Block at Illasit Dispensary	M/S Premierson Enterprises Ltd	7,609,102	94	7,164,394	450,000
Maternity Ward at Nchukini Health Centre	M/s Enkolili Enterprises	7,261,159	100	7,161,159	550,000
Fencing of Kitengela Dump Site	M/s Sankina Holdings Ltd	4,970,817	100	4,970,817	558,937
Fencing of Bissil Dump Site	M/s Haraf Traders Ltd	1,610,544	98	1,610,544	534,400
Perimeter wall Loitokitok Dumpsite	M/s Cheka Electro-mechanical Building Services	5,733,745	100	5,733,745	644,724
Renovations of Office Block for Directorate of Housing	M/s Synergy Pool Ltd	1,515,551	100	1,515,551	310,000
Staff House at Musenke Dispensary	Rossmina Investment Ltd	4,054,919	100	4,054,919	610,000
Construction of Olekasasi Health centre	M/s Tynen Ltd	14,898,140	100	14,894,910	525,000
Renovations of Dispensary and Construction of Staff House at Oldorko Mosiro	M/s Munjen Construction Ltd	14,616,562	100	14,616,562	1,000,000
Piping of Water from Ewuaso Nyiro Intake to Musenke	M/s Consky Engineering Services Ltd	15,100,000	100	15,100,000	520,000
Isinya Tannery and other Associated Works	M/s Amaisho Contractors Ltd	7,796,151	90	6,870,810	1,100,000
Construction of Hay Store at Demo Farm	Faircon General Equipment Company Ltd	6,612,719	100	6,612,719	260,000

Construction of 2 Classrooms at Kimana Mixed Secondary School	M/s Enkolili Enterprises Ltd	2,409,923	100	2,409,923	330,00[illegible]
Construction of 3 Classrooms at Township Primary School	M/s Khulole Construction Co. Ltd	3,594,840	95	3,572,788	450,000
Construction of Maternity at Oloolua	M/s Kamanda Engineering	8,163,714	100	8,163,714	1,561,000
Total amount (Kshs)		**135,768,025**		**130,135,189**	**13,082,021**

This was contrary to clause 58.2 of FIDIC-Conditions Of Contract For Works Of Civil Engineering Construction which provides inter alia that; In respect of every Provisional Sum, the Engineer shall have authority to issue Provisional instructions for the execution of work or for the supply of goods, materials, Plant Sums or services by: (a) the Contractor, in which case the Contractor shall be entitled to an amount equal to the value thereof determined in accordance with Clause 52, and (b) a nominated Subcontractor, as hereinafter defined, in which case the sum to be paid to the Contractor therefore shall be determined and paid in accordance with Sub-Clause 59.4. and further, Clause 58.3 which provides that the Contractor shall produce to the Engineer all quotations, invoices, vouchers and accounts or receipts in connection with expenditure in respect of Provisional Sums, except where work is valued in accordance with rates or prices set out in the Tender.

Consequently, the county may have lost an amount of Kshs.13,082,021 paid as provisional sums in respect of works which were not accounted for as per the laid down regulations.

4.3 Purchase of Uniforms from a firm that is not Prequalified under the category

The statement of receipts and payments reflects an amount of Kshs.1,454,670,371 under use of goods and services. An examination of payment vouchers for the period under review revealed that the County Government bought uniform items from a firm, M/s Cobra Security Co. Ltd amounting to Kshs.1,049,810. A scrutiny of the list of pre-qualified suppliers indicated that the firm was not prequalified under this category but under a category of provision of security services. This was contrary to regulation 25(3) of the Public Procurement and Disposal Regulation of 2006, which states that the procuring entity shall invite tenders from only the persons who have been prequalified under this regulation.

Consequently, Kshs.13,082,021 paid as provisional sums in respect of works which were not accounted for as per the clause 58.2 of FIDIC – conditions of contract for works of Civic Engineering Construction.

4.4 Emergency Funds

The statement of receipts and payments and as disclosed under note 16 to the accounts reflects an amount of Kshs.149,858,947 under other grants and transfers which includes an amount of Kshs.70,000,000 that the County Government transferred for use as emergency Fund. Although payments had been made from this Fund amounting to Kshs.24,122,587, leaving a balance of Kshs.47,989,667 in the Fund as at 30 June 2015, no approval had been sought from the County Assembly contrary to Section 114 of the Public Finance Management Act, 2012 which specifies that the County Executive Committee Member for Finance shall seek approval of the County Assembly within two months after payment is made from the emergency fund.

Further, the financial statements and other reports in respect of this Fund were not provided for audit as provided under Section 115 of the Public Finance Management Act, 2012.

5.0 Budget Control and Performance

5.1 Revenue

The County Government had a revenue budget of Kshs.5,668,497,235 with the actual collection from both internal and external sources amounting to Kshs.5,158,740,129, which resulted in under collection of Kshs.509,757,106. However the revenue module of the IFMIS was not operational and hence the County Government was using the LAIFOMS for managing and monitoring own source revenue collection.

The County Government had budgeted to collect Kshs.959,045,150 from own source, while the total revenue collection was Kshs.772,577,000 resulting in under collection of Kshs.186,468,150 (19%).

No reason was given for the failure by the County Government to achieve the annual revenue budget.

It was however noted that the format of the financial statements and the format of the approved budget were dissimilar and therefore it was not possible to compare the two sets of documents. The budget as presented did not show detailed analysis of the various budgeted sources of internal revenue.

In the circumstances, it was not possible to verify, analyze and comment on the specific revenue streams identified by the County Government.

5.2 Under Expenditure on Recurrent Vote

The summary statement of appropriation for recurrent expenditure reflects a budget of Kshs.3,623,695,468 and actual expenditure of Kshs.4,818,986,633. Review of the IFMIS account analysis report revealed 538 account items with an expenditure of Kshs.3,501,737,263 that had under-expenditure as detailed below:-

Department	Approved Budget	Actual expenditure	Variance	% Variance
County Administration	38,736,501	39,041,766	305,265	0.79%
County Public Service and E- Governance	1,372,089,368	1,371,072,581	1,016,787	0.07%
County Public Service Board	69,589,317	65,467,368	4,121,949	5.9%
Kajiado County Assembly	679,999,999	640,732,079	39,267,920	5.86%
Lands, Physical Planning, Environment, Wildlife and Natural Resources	80,332,300	76,323,173	4,009,127	4.99%
Industrialization and Enterprise Development	54,806,654	50,867,073	3,939,581	7.2%
Agriculture	146,117,166	127,282,777	18,834,389	12.89%
Kajiado - Finance and Economic Planning	356,033,365	327,613,600	28,419,765	7.98%
Kajiado - Public Works, Roads, Transport, and Housing	63,564,518	60,876,180	2,688,338	4.2%
Kajiado - Water and Irrigation	45,947,953	43,926,413	2,021,540	4.4%
Kajiado - Ict And Citizen Participation	63,398,180	60,174,912	3,223,268	5.1%
Kajiado - Health Services	371,333,380	361,304,181	10,029,199	2.7%
Kajiado - Education, Youth, Sports, Culture, and Social Services	142,061,229	138,726,762	3,334,467	2.35%
Kajiado - County Executive Committee	8,535,671	8,406,621	129,050	1.51%
Office of The Governor and The Deputy Governor	131,149,867	129,921,777	1,228,090	0.94%
Total Recurrent	**3,623,695,468**	**3,501,737,263**	**99,001,867**	**3%**
% of Total Budget	**68**	**72**	**-**	**-**

The reasons for the under expenditures were provided as being under funding by the National Treasury. However, the formats of the financial statements and the approved

budget were dissimilar. The financial statements were prepared in accordance with IPASs as required by the Public Sector Accounting Standards Board and the budget was presented in accordance with the format provided by the directorate of budgeting at the National Treasury and therefore it was not possible to compare the two sets of documents.

Consequently, it was not possible to confirm whether the budget and budgetary controls were adhered to.

5.3 Under Expenditure on Development

The County had an approved development budget of Kshs.2,044,801,767 and actual expenditure as per the statement of appropriation (development) is Kshs.1,276,368,512. However, a review of the IFMIS account analysis report revealed 82 items with an expenditure of Kshs.1,592,391,936 as shown below:-

Development

Department	Approved	Actual expenditure	Absolute Variance	% Variance
County Assembly	111,168,772	59,749,147	51,419,625	46
Lands, Physical Planning, Environment, Wildlife and Natural Resources	47,557,114	32,312,279	15,244,835	32
Industrialization and Enterprise Development	123,444,255	52,225,625	71,218,630	58
Finance and Economic Planning	38,394,778	36,401,778	1,993,000	5
Public Works, Roads, Transport, and Housing	616,826,456	599,106,419	17,720,037	3
Kajiado - Water and Irrigation	259,996,999	183,489,107	76,507,892	29
Agriculture, Livestock and Tourism	30,389,423	29,709,982	679,441	2
Vote D4667 Kajiado - Ict and Citizen Participation	53,588,112	19,791,006	33,797,106	63
Health Services	265,475,290	202,682,771	62,792,519	24
Education, Youth, Sports, Culture, and Social Services	457,509,518	364,825,927	92,683,591	20
County Administration	40,451,050	12,097,895	28,353,155	70
Total Development	**2,044,801,767**	**1,592,391,936**	**452,409,831**	**22**
% of Total Budget	**38**	**33**		

The County Government did not provide adequate explanations of the variance between the actual expenditure as per the financial statement and IFMIS schedules neither did it provide reasons for the slow uptake of the development budget.

5.4 Compensation of Employees

The statement of receipts and payments reflects actual expenditure of Kshs.1,492,826,388 against an approved budget of Kshs.1,446,406,779 under compensation for employees, resulting in an over expenditure of Kshs.46,419,609.

No evidence was provided to indicate that the over-expenditure in compensation for employees was authorized by the County Assembly or the National Treasury.

5.5 Un planned Projects

The summary statement of appropriation reflects a development budget of Kshs.2,044,801,767. However, an analysis of the procurement plan indicated that the County had planned to spend Kshs.1,643,850,000 on development projects and other capital acquisitions in the period under review. The approved budged had not been prepared in line with the procurement plan.

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

27 September 2016