REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

COUNTY EXECUTIVE OF SAMBURU

FOR THE YEAR ENDED 30 JUNE, 2019

COUNTY GOVERNMENT OF SAMBURU

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

Prepared in accordance with the Cash Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

OFFICE OF THE AUDITOR GENERAL
SOUTH RIFT HUB
09 DEC 2019
RECEIVED
P.O. Box 1050-20100, NAKURU

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Samburu County is constituted as per the Constitution of Kenya, 2010. It is charged with the responsibility of providing a variety of services to residents within its area of jurisdiction. These services include but not limited to provision of quality health care, provision of food security, county spatial planning, promotion of tourism as the county's main economic activity, promotion of social justice and gender equality, environmental and water conservation programs etc. The county is headed by the County Governor, who is responsible for the general policy and strategic direction of the County. The Governor is supported by an Executive Committee in carrying out the mandate as stipulated in the Constitution. The County Executive Committee Member for Finance and Economic Planning is in charge of the County Treasury. One of the functions of the CEC – Finance is financial reporting at the County level.

b) Key Management

Samburu County Government day-to-day management is under the following key organs:

	Name	Designation	Date of holding office
1.	H.E. Moses Lenolkulal	Governor	2013 to Date
2.	H.E. Julius Leseeto	Deputy Governor	2017 to Date
3.	Mrs. Dorcas Lekisanyal	CEC, Finance and Economic Planning	2017 to Date (Formally worked in Health Services and in Water & Environment Departments)
4.	Mr. Lekupe Stephen	CEC, Health Services	2013 to Date (Formally worked in Public Works and Physical Planning Departments)
5.	Mr. Peter Lechakwet	CEC, Trade, Tourism and Industry	2013 to Date
6.	Mr. Jonathan Leisen	CEC, Transport and Public Works	2013 to Date (Formally worked in the County Treasury Department)
7.	Mr. Benedict Lentumunai	CEC, Lands, Housing and Physical Planning	2017 to Date
8.	Mr. Vincent Learaman	CEC, Agriculture and Water	2013 to Date

	Name	Designation	Date of holding office
9.	Mr. Peter Lolmodooni	CEC, Education, Youth Affairs, Sports and Culture	2013 to Date (Formally worked in Health Department)
10.	Mrs. Senei Leseeto	CEC, Sports, Gender and Social Services	2013 to Date (Formally worked in Health Services, Physical Planning Departments)
11.	Mr. Benedict Lentumunai	CEC, Water, Environment and Natural Resources	2017 to Date On acting capacity.

c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Name	Designation
1.	Mrs. Dorcas Lekisanyal	CEC, Finance and Economic Planning
2.	Mr. David Lesamana	Chief Officer, Finance and Economic Planning
3.	Joseph Lekalkuli, CPA (K)	Head of County Treasury
4.	Charles Leleruk, CPA (K)	Senior Principal Accountant

d) Fiduciary Oversight Arrangements

The key fiduciary oversight bodies at the County for the year ended 30th June 2019 were:

1. County Assembly of Samburu County;
2. Audit Committee
3. Public Accounts Committee; and
4. Budget and Appropriations Committee.

e) Entity headquarters

P.O. Box 3-20600,
Samburu County Headquarters,
Maralal-Nyahururu Road,
Maralal, KENYA

f) Entity Contacts

Telephone: +254 065 62456, +254 65 62075
E-mail: info@samburu.go.ke
Website: www.samburu.go.ke

g) Entity Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

Kenya Commercial Bank
P.O. BOX 260
Maralal

h) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

i) Principal Legal Advisor

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

2. FORWARD BY THE CEC

Put the forward note by the CEC

It is with great pleasure that I present final Financial Statements for Samburu County Government, for the year ended June 2019. These reports whose scope covers a period of one year mainly presents the County's financial performance for the period between July 2018 and June 2019. They too provide a good platform for short term, mid-term and strategic management decision making.

Following the promulgation of the Constitution of Kenya, 2010 under Chapter 11 Kenya was ushered into a new system of governance, replacing the centralised system with a devolved system of governance. The devolved system of governance consists of the National Government and 47 County Governments.

Financing of the County Governments

Article 202 of the Constitution of Kenya provides that revenue raised nationally shall be shared equitably among the National Government and the County Governments. Each County Government's equitable share of revenue raised nationally, is determined yearly through the County Allocation of Revenue Act (CARA). The revenue sharing formula is developed by the Commission on Revenue Allocation and approved by Parliament in accordance with Article 217 of the Constitution.

The County also finances its operations through own generated revenues. These are revenues collected within the County. The key local revenue sources for Samburu County included game parks and national reserves fees, liquor licences, business permits, land rates, business plan approval, advertising fees, cesses and various other administrative charges.

The County Government continues to explore new and innovative ways of increasing its local revenue collections. Some of the steps that the County has taken towards improving its revenue collections include:

1) The Launching of GIS System – the County Government in partnership with FAO successfully installed the GIS system which was then launched officially in the Month of Aug 2019. This will be of great benefit to revenue collection streams like land rates.

2) Automation of collection revenue system – the County plans to procure efficient and reliable revenue automated collection system in this financial year.

Financial Performance

a) Revenue

In the year ended 30th June 2019, the County had projected revenues of KShs 5,874,899,429 consisting of KShs 255,031,228 from own sources and KShs 5,619,868,201 from CARA Grants.

A graphical representation of the revenue budget is as shown below:

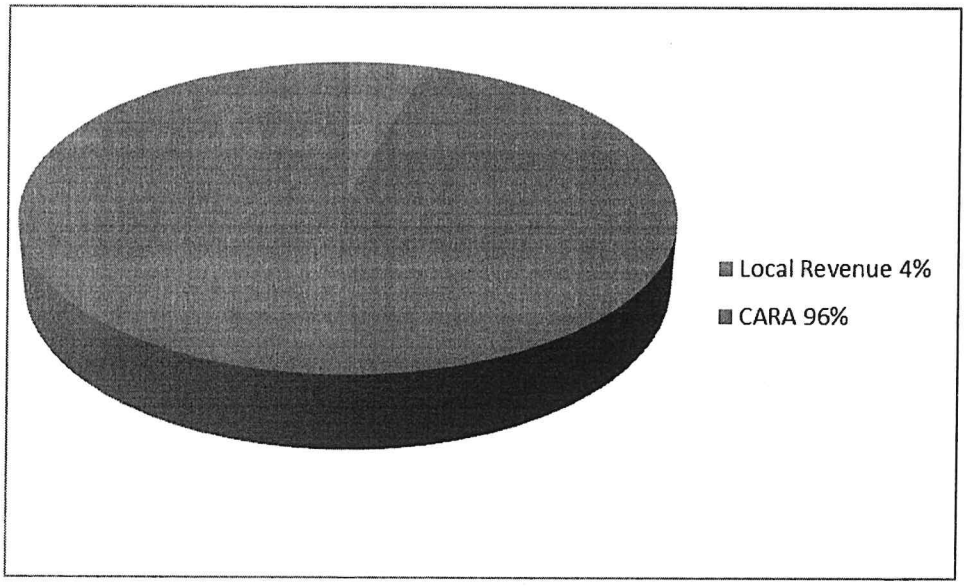

Figure 1: Samburu County revenue sources in FY 2018/2019

From the above chart, CARA revenues and funds for Grants continue to form the largest part of our revenue budget, contributing 96% towards our budget. Our own generated revenues formed 4% of our budget.

Out of the total projected revenue, the County was able to realise KShs 5,097,846,619 in actual revenues, representing 87% performance. I applaud the revenue team and indeed the different stakeholders involved, for performing exemplary well in this area. In the table below, we present an analysis of revenue performance during the year.

Revenue classification	Revenue budget (KShs)	Actual (KShs)	Realisation (%)
CARA and Grants	5,619,868,201	4,854,646,749	86%
Own generated revenues	255,031,228	243,199,870	95%
Total	5,874,899,429	5,097,846,619	87%

Table 1: Revenue performance in FY 2018/2019

b) Payments

Our total expenditure for the year amounted to KShs 4,229,085,318. Of this amount, KShs 801,406,442 was spent on development expenditure while KShs 3,427,678,875 was spent on recurrent expenditure representing a ratio of 19:81 respectively.

Some of the major milestones made in development projects in FY 2018/2019 included the following:

Samburu County HQ – Maralal

Model Health Centre – Archers Post

Figure 2: County Government Flagship projects completed in FY 2018/2019

In FY 18/19 the County Government of Samburu successfully completed the construction and subsequent launching of its headquarters offices in Maralal. The building has already been occupied and it's now in use. Other major projects accomplished in the year include construction of Maralal Youth Polytechnic, completion of model health centre in Archer's Post, drilling and equipping of boreholes and near completion of irrigation schemes at Lulu and Arsim areas.

Much of the recurrent budget was spent on compensation for employees. This was as a result of salary increments awarded to Doctors and Nurses over the past year. However, we appreciate that a well remunerated workforce is necessary for service delivery. As such, we are committed to improving the welfare of our staff.

c) Cash flows

In the FY 2018/2019, we did not have many liquidity disruptions. This was as a result of proper planning by the County and timely disbursements by the National Treasury. The cash and cash equivalents increased from KShs 253004,900 as at 30th June 2018 to KShs 511,561,419 as at 30th June 2019.

d) Accounts receivables

Imprest management is a critical area of focus in Samburu County. With our aim being absolute adherence to the PFM regulations, we are glad that some of our own innovations that included development and use of imprest aging analysis template has gone a long way in information dissemination resulting to a remarkable improvement in accounting for the monies issued. We appreciate that there is still room for improvement in this area and we will continue to exert necessary measures and efforts in imprest management. The main challenge has been on outstanding imprests issued at the formative stage of County Government. Going into FY 2019/2020, we will place more emphasis on complying with the PFM regulations, ensure that staff get timely information with regards to outstanding dues in their names, effect payroll recoveries and generating monthly aging analysis.

e) Pending bills

At the close of FY 2017/18, we had reported KES 685M as pending bills. The County Government was able to pay off all its previous year's pending bills and as we closed Financial Year 2018/19. As we commenced FY 2019/20, we reported a total of KES 411M as pending bills representing a drop of about 40% relative to the previous year. This drastic drop is attributed to improved systems and better management of our operations. Our focus as a County is to settle the bills as soon as possible. In every budget cycle, we ensure that part of the allocations is towards settlement of old outstanding pending bills.

f) Fixed assets

Samburu County has made significant investments in fixed assets since coming into office in 2013. Additionally, we inherited some assets from the defunct municipal council. I am happy to report that assets and liabilities of the former defunct authorities have now been verified and the CALC report has been presented to the management. We are in the process of developing a comprehensive asset management policy, which we hope to finalize in FY 2019/2020. The policy will among other things incorporate physical verification of all assets, valuation of assets, tagging of assets and maintenance of an asset register.

Operational performance

The County's operations are structured in terms of departments which are headed by a County Executive Committee member. For seamless service delivery, all departments have to work in unison and synergy. In the table below, we summarize the key activities carried out by each department during the year:

Department	Key activities
Health Services	• Construction of mortuary in Maralal which is in its final completion stage. • Completion and commissioning of Nachola Health Centre in North Sub County. • Completion of a model Heath Centre at Acher's Post. Next will be furnishing and equipping of the facility before commissioning it. • Procurement of an Ambulance for Wamba Health Centre. • Procurement of laboratory equipment for Maralal Referral Hospital. • Procurement of KES 70M worth of medical drugs. • Completion and commissioning of Hospital Warehouse. • Construction and commissioning of Gynaecology ward at Maralal Referral Hospital. • Construction and commissioning of a dispensary award at Ang'ata Rongai.
Trade, Tourism and Industry	• Marketing Samburu County as a key tourist destination through activities such as International Camel Derby, Ushanga Initiative and participation in international tourism fairs in Berlin, London and in Nairobi. • Support to 8 conservancies with funds and technical trainings with a view of enhancing their sustainability • Increment in disbursements to youth, women and the disabled

	persons to boost their economic standards
Transport and Infrastructure	• Completion and Commissioning of County Headquarter Offices • Construction and upgrading of a sum total of 579 KMS access roads within the county
Agriculture and Water	• Supply of subsidized fertilizer to farmers within Samburu West Sub County • Conducting massive vaccination campaigns across the County to enhance disease resilience in livestock farming.
Education, Youth Affairs, Sports and Culture	• Construction of additional 36 classrooms and Administration block at Maralal Youth Polytechnic. • Construction and commissioning of ECD classrooms, construction of pit latrines and kitchens. • Disbursement of KES 70M to needy students across the County.

Table 2: Departmental performance in FY 2018/2019

Despite the notable achievements, we have experienced some challenges during the year. These include:

1) Own revenue collection – though our local revenue collection was exemplary achieved, it is our belief that a lot more can be achieved if we automate our revenue collection system. We endeavour to contribute much more that 4% to our annual budget as we move into the future. Additionally, we are exploring ways of boosting revenue collection as mentioned earlier.

2) We have also experienced challenges with IFMIS as a result of down times and poor internet connectivity. This has in some instance delayed payments to suppliers and lead to payments being made outside IFMIS. Constant introduction of new modules due to IFMIS re-engineering process has contributed to delays in procurement processes due to steep learning curves.

3) Political processes – there had been massive demoralization of staff as a result of constant interruptions by other regulating bodies resulting to fear in implementation processes by staff.

4) Staff turnover – notable high staff turnover has been recorded in Health Services due to the remoteness and security concerns in some of the areas within the County. Additionally, inability by the County to offer huge compensation packages compared to the private sector has also been cited as another main cause of staff turnover.

Conclusion

FY 2018/2019 was a good year in general. Good progress was made and the momentum has been created to enable Samburu County continue on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent years.

I take this opportunity to thank H.E. the Governor and the Deputy Governor for their support. I would also want to thank my colleagues, the County Executive Committee Members in charge of other departments who we have worked hand in hand to ensure that Samburu County achieves its mission.

I thank all staff in the entire County for their continued commitment and dedication through hard work in delivering services to the people of Samburu County.

County Executive Committee Member for Finance, ICT and Economic Planning

3. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Sections 163,164 and 165 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the County Treasury shall prepare financial statements of each County Government entity, receiver of receipts and consolidated financial statements for all County Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The County Executive Committee (CEC) member for finance of the County Government is responsible for the preparation and presentation of the County Government's financial statements, which give a true and fair view of the state of affairs of the County Government for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the County Government; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the County Government; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The CEC member for finance accepts responsibility for the County Government's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The CEC member for finance is of the opinion that the County Government's financial statements give a true and fair view of the state of the County Government's transactions during the financial year ended June 30, 2019, and of its financial position as at that date. The CEC member for finance further confirms the completeness of the accounting records maintained for the County Government which have been relied upon in the preparation of the its financial statements as well as the adequacy of the systems of internal financial control.

The CEC member for finance confirms that the County Government has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the County Government's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the CEC member for finance confirms that the County Government's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The County Government's financial statements were approved and signed by the CEC member for finance on 30th Sept 2019.

County Executive Committee Member – Finance

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Executive of Samburu set out on pages 1 to 53 which comprise the statement of assets and liabilities as at 30 June, 2019, and statement of receipts and payments, statement of cash flows, 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 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the County Executive of Samburu as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the County Governments Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

1.1. Variances Between the Financial Statements and IFMIS Balances

The financial statements and the Integrated Financial Management Information System (IFMIS) ledgers reflect balances totaling Kshs.10,785,290,323 and Kshs.12,746,817,789 respectively under various expenditure items resulting to a net credit variance of Kshs.1,961,527,466 between the two sets of records , as shown in the attached Appendix I. There was no reconciliation between the two sets of records.

As a result, the accuracy and completeness of the financial statements has not been confirmed.

1.2. Inaccurate Previous Year Related Party Balances

Note 5.10.4 to the financial statements discloses the County Executive's related party transactions. However, the previous year's comparative balances shown in the Note differ significantly with the balances reflected in the audited financial statements for the year ended 30 June, 2018 as shown in the attached Appendix II.

As a result, the accuracy and completeness of the comparative related party transactions balances reflected in the financial statements for the year under review has not been confirmed.

2. Unconfirmed Transfers from other Government Entities

The statement of receipts and payments reflects transfers from other government entities totaling Kshs.213,955,254, as further disclosed in Note 3 to the financial statements. However, the balance differs with actual receipts totaling Kshs.266,604,289 reflected in the bank statement, resulting to a variance of Kshs.47,149,035, as shown in the table below:

Transfers Received	Note	Amount as per Financial Statements (Kshs)	Amount in the Bank Statements (Kshs)	Variance (Kshs)
Road Maintenance Levy	3	143,493,610	189,934,808	46,441,198
EU IDEAS	3	62,214,484	62,922,321	707,837
SIDA ASDSP II E	3	8,247,160	8,247,160	0
Total		**213,955,254**	**261,104,289**	**47,149,035**

Consequently, the accuracy and completeness of transfers from other government entities totaling Kshs.213,955,254 reflected in the statement of receipts and payments for the year ended 30 June, 2019 has not been confirmed.

3. Misclassification of Expenditure

The statement of receipts and payments reflects use of goods and services expenditure totaling Kshs.1,037,162,731, as further disclosed in Note 12 to the financial statements. However, review of the related transactions and supporting documents established that the amount includes expenditures totaling Kshs.551,483,695 charged to incorrect expenditure codes.

As a result, the expenditures were not accounted for in accordance to Section 40 (1) of the Public Finance Management (County Government) Regulations 2015, which requires budget estimates to be prepared, accounted for and reported on against budget classifications and the standard chart of accounts.

Consequently, the payments included in the goods and services expenditure balance totaling 1,037,162,731, reflected in the financial statements for the year under review are not properly classified.

4. Unsupported Payment of Pending Bills

The statement of receipts and payments reflects payments on acquisition of assets totaling Kshs.751,492,295, as further disclosed in Note 17 to the financial statements. Included in this amount are payments for pending bills totaling Kshs.147,695,794 paid out by the Ministry of Health as well as the Ministry of Water, and Ministry of Environment and Energy amounting to Kshs.127,806,612 and Kshs.19,889,182 respectively. However, contrary to the reporting requirements set by the Public Sector Accounting Standards Board, the bills were not disclosed in the financial statements for the year ended 30 June, 2018.

As a result, the validity and propriety of payments totaling Kshs.147,695,794 made in respect to the bills during the year under review has not been confirmed.

5. Unsupported Payments for Roads Construction

Included in the acquisition of assets balance totalling 751,492,295 reflected in the statement of receipts and payments are expenditures totaling Kshs.118,616,934 incurred on road construction during the year under review. Of the balance, costs totaling Kshs.49,189,623 were not adequately supported with documentation showing how the respective contracts were procured and the works paid for executed. Management indicated that the documents were in the custody of the Ethics and Anti-Corruption Commission (EACC) for investigation.

In the absence of sufficient evidence, the validity and propriety of payments totaling Kshs.118,616,934 reported to have been made for road construction during the year ended 30 June, 2019 has not been confirmed. As a result, it is not possible to confirm the accuracy and completeness of expenditure on the acquisition of assets expenditures totaling Kshs.118,616,934 reflected in the statement of receipts and payments for the year.

6. Unexplained Cashbook Variances

The statement of assets and liabilities reflects cash and cash equivalents balances totalling Kshs.1,388,400,396, as further disclosed in Note 21A to the financial statements. Included in the balance are bank balances in two bank accounts namely; Samburu Deposit Account and Special Purpose Account amounting to Kshs.71,657,699 and Kshs.17,658,728 respectively. However, the cash book reflected balances amounting to Kshs.91,434,170 and Kshs.18,220,028 resulting in unexplained variances amounting to Kshs.19,776,471 and Kshs.561,300 respectively.

In view of the discrepancies, the accuracy and fairness of the reported cash and cash equivalents balance totaling Kshs.1,388,400,396 reflected in the statement of assets and liabilities as at 30 June, 2019, has not been confirmed.

7. Unsupported Accounts Payables- Deposits and Retentions

The statement of assets and liabilities reflects accounts payables - deposits and retentions balance amounting to Kshs.71,657,699, as further disclosed under Note 23 to the financial statements. However, detailed schedules showing how the balance was arrived at, including the parties owed and goods or services supplied, were not availed for audit.

As a result, the existence, accuracy and validity of the account's payables - deposits and retentions balance amounting to Kshs.71,657,699 reflected in the statement of assets and liabilities as at 30 June, 2019 has not been confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Executive of Samburu in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence, I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no other key audit matters to communicate in my report in the year under review.

Other Matter

Budgetary Performance and Control

1. Under-Expenditures

The statement of appropriation: recurrent and development combined reflects final expenditure budget and actuals on comparable basis of Kshs.5,874,899,429 and Kshs.4,229,085,319 respectively resulting in under-expenditure of Kshs.2,160,772,273.

The under-expenditure mainly occurred under the development vote where actual expenditure for the year totaled Kshs.801,406,442 against the final budget amounting to Kshs.1,934,218,131 resulting in under-expenditure of Kshs.1,161,396,124 equivalent to 59 % of the budget.

Under the recurrent vote, actual expenditure totaled Kshs.3,427,678,875 against the budget amounting to Kshs.3,940,681,298 resulting in under-expenditure of Kshs.393,064,382 equivalent to 10% of the budget

Failure to spend the whole of the development vote implied that some portion of the projects planned for execution during the year under review were not implemented. As a result, goods and services expected by the residents of Samburu County were not delivered.

2. Project Implementation Status

The status of implementation of projects report for the year ended 30 June, 2019 prepared by Management revealed that twenty-four (24) projects valued at Kshs.1,258,029,668 were contracted for implementation during the year. However, only projects valued at Kshs.549,591,920 or 44% of the portfolio were implemented. As a result, projects valued at Kshs.708,437,748 or 56% were not implemented. Some of these had stalled at the time of the audit, as shown in the summary in the attached Appendix 3.

Failure to complete the projects may have constrained service delivery to the residents of Samburu County.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Unauthorized Transfers to Non-Government Entities

The statement of receipts and payments for the year ended 30 June, 2019 reflects transfers to other government entities totaling Kshs.704,996,874, as further disclosed in Note 14 to the financial statements. The balance includes other capital transfers totaling Kshs.91,195,806 disbursed as grants to Wildlife Conservancies. However, the capital transfers were made in the absence of a law enacted by the County Assembly to provide oversight on their use by recipients. In addition, the work plans on activities funded by the grants and their expected outputs were not presented for audit.

In the absence of sufficient evidence, the validity of the transfers has not been confirmed. In addition, it is not possible to confirm whether the grants were shared equitably or applied for the intended purposes, and for the benefit of the residents of the County.

2. Failure to Surrender Unspent County Revenue

The statement of assets and liabilities reflects net financial position of Kshs.1,386,700,686. Included in the balance are fund opening balances totaling Kshs.499,242,317 that were not surrendered to the County Revenue Fund Account contrary to Regulation 116 (2) of the Public Finance Management Act (County Government) Regulations 2015 that requires all unspent funds at the end of financial year to be returned to the County Treasury for re-voting in the following financial year.

Management was in breach of the law on unused fund balances.

3. Long Outstanding Imprests

Examination of imprest records revealed outstanding imprests totalling Kshs.64,343,688 that were long due for surrender as at 30 June, 2019.

Failure by Management to recover the imprests from the Officers holding them flouted Regulation 93(6) of the Public Finance Management (County Government) Regulations, 2015. The law prescribes that the Accounting Officer should recover un-surrendered imprests from the defaulters' salaries or charge interest on the balance at the prevailing central bank rates.

4. Irregular Payments to Council of Governors

Expenditure records examined indicated that the County Executive paid Kshs.5,695,769 to the Council of Governors to help defray the Council's expenses during the year under review.

The payment was made contrary to Section 37 of the Inter-Governmental Relations Act, 2012, which provides that all operational expenses of the Council of Governors should be met by the National Government.

5. Excessive Transfers to the County Assembly

Regulation 25(1)(f) and (h) of the Public Finance Management, (County Government) Regulations, 2015, pegs the approved expenditures of a County Assembly at not more than seven percent (7%) of the total revenues of the County Government, or twice the personnel emoluments of the County Assembly, whichever is lower. In the year under review the County Executive made transfers totaling Kshs.544,004,862 to the County Assembly of Samburu. The transfers were equivalent to 19.6% of the receipts for the year and exceeded the legal threshold for the year amounting to Kshs.356,849,263 by Kshs.187,155,599.

The excess transfers irregularly took away funds totaling Kshs.187,155,599 from funding delivery of goods and services to the residents of the County and availed these for use by the County Assembly.

Management therefore was in breach of the law.

6. Uncollected Land Rates

Regulation 63(1)(a) of the Public Finance Management (County Government) Regulations, 2015 requires every Accounting Officer and Receiver of Revenue to establish and apply adequate safeguards for the timely collection and proper accounting of revenue and other public monies.

However, review of the revenue records revealed that Samburu County had accumulated land rates and penalties on properties totaling Kshs.56,576,623 as at 30 June, 2019.

No plausible explanation has been provided by Management for the anomaly.

Failure to collect revenue constrains the capacity of the County Government to deliver services and implement projects and may eventually result to loss of public funds.

7. Budget Over-Expenditure

The statement of appropriation: recurrent and development combined reflects final expenditure budget and actual on comparable basis amounting to Kshs.5,874,899,429 and Kshs.4,229,085,319 respectively. However, the statement reflects over-expenditure of Kshs.514,743,244 which relates to Transfers to Other Government Entities. There were no records to show that the over-expenditure was approved by the County Assembly as required by law.

Management has not provided adequate explanation for the irregularity.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Use of Dual Payroll Systems

During the year under review, the County Government maintained two (2) payroll systems; the Integrated Payroll and Personnel Database (IPPD) for 1,468 permanent staff, and a manual system for 687 non-permanent staff.

No explanation has been provided by Management for failure to only use the IPPD system. Maintenance of the two systems has increased the risk of errors and omissions in payroll expenditures.

2. County Public Service Board

The County Executive of Samburu has established the County Public Service Board in accordance with Section 58 of the County Governments Act, 2012. However, two of the seven members nominated to the Board, had, at the time of the audit, not taken up their positions due to ongoing investigations against them by the Ethics and Anti-Corruption Commission. Consequently, the Board, as constituted, cannot effectively discharge its mandate and the Management is therefore in breach of the law.

As a result, the Board is not adequately discharging its oversight role in the affairs of the County Executive. This is likely to constrain the effectiveness of the County Executive and adversely affect service delivery to the residents of Samburu County.

3. Performance Management Plan and Staff Appraisal System for the County

Section C.5 (1) of the County Public Service Human Resource Manual, 2013 prescribes that all County Governments should develop their own performance appraisal instruments and apply these to all categories of staff in the County Public Service.

However, examination of records and interviews with Management indicated that the County Executive of Samburu was yet to establish a Performance Management System or appoint a Performance Management Committee that would evaluate staff performance.

Consequently, the Management was in breach of Public Service Regulations and may not be able to assess the performance of its human resource in an objective manner. This is likely to also hamper the County from achieving its service delivery and development goals.

4. Lack of Risk Management Policy

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

However, examination of records and interviews with Management confirmed that the County Executive of Samburu had not developed policies to identify and provide means for managing the risks in its operations.

Consequently, the Management is in breach of the Regulations and the operations of the County Executive are likely to be disrupted should unfavorable events occur.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2130. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the County Executive's ability to continue to its sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to dissolve the County Executive, or cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may

involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County Executive's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County Executive to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the County Executive to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

Nancy Gathungu
AUDITOR-GENERAL

Nairobi

15 January, 2021

Appendix I : Variances between the Financial Statements and IFMIS Balances

Particulars	Financial Statements (Kshs)	IFMIS Balances (Kshs)	Variances (Kshs)
Receipts			
Exchequer releases	4,634,664,683	3,736,170,218	898,494,465
Proceeds from Domestic and Foreign Grants	4,383,345	0	4,383,345
Transfers from Other Government Entities	213,955,254	141,720,185	72,235,069
Other Receipts	243,199,870	257,935,696	(14,735,826)
Returned CRF	1,643,467	-	1,643,467
Payments			
Compensation of Employees	1,641,733,470	1,907,360,719	(265,627,249)
Use of goods and Services	1,037,162,731	1,299,624,486	(262,461,755)
Transfers to Other Government Units	704,996,874	160,992,012	544,004,862
Other Grants and Transfers	85,714,919	86,946,219	(1,231,300)
Social Security Benefits	-	24,432,535	(24,432,535)
Acquisition of Assets	751,492,295	787,649,083	(36,156,787.70)
Finance Costs, including Loan Interest	-	-	-
Other payments	7,985,030.00	6,753,730	1,231,300
Assets			
Bank Balances	1,388,400,396	-298,514,605	1,686,915,001
Cash Balances	0	4,541,735,261	(4,541,735,261)
Liabilities			
Accounts Receivables - Outstanding Imprest and Clearance Accounts	69,957,989	94,012,250	**(24,054,261)**
Total	**10,785,290,323**	**12,746,817,789**	**(1,961,527,466)**

Appendix II: Related Party Disclosures –Comparative Balances

Item	Related Party Transactions	2018/2019 Comparative Balance (Kshs) in Note 5.10.4	2017/18 Balance in Audited Financial Statements (Kshs)	Variance (Kshs)
1	Key Management Compensation	70,071,978	66,030,820	4,041,158
2	Transfers to development projects	593,287,944	532,437,944	60,850,000
3	Transfers to non-reporting entities	59,702,500	0	59,702,500
4	Transfers to county water service Providers	34,458,427	33,000,000	1,458,427
5	Expenses paid on behalf of water services providers	0	3,545,109	(3,545,109)
6	Transfers from exchequer	0	3,805,200,000	(3,805,200,000)
7	Transfers to MDAs	0	129,763,052	(129,763,052)

5. FINANCIAL STATEMENTS

5.1. STATEMENT OF RECEIPTS AND PAYMENTS

	Notes	2018-2019 KShs	2017-20 KS
RECEIPTS			
Exchequer releases	1	4,634,664,683	3,964,152,815
Proceeds from Domestic and Foreign Grants	2	4,383,345	
Transfers from Other Government Entities	3	213,955,254	129,763,052
Proceeds from Domestic Borrowings	4		
Proceeds from Foreign Borrowings	5		
Proceeds from Sale of Assets	6		
Reimbursements and Refunds	7		
Returns of Equity Holdings	8		
County Own Generated Receipts	9	243,199,870	224,823,905
Returned CRF issues	10	1,643,467	63,314,881
TOTAL RECEIPTS		**5,097,846,619**	**4,382,054,653**
PAYMENTS			
Compensation of Employees	11	1,641,733,470	1,556,774,998
Use of goods and services	12	1,037,162,731	1,002,350,705
Subsidies	13		
Transfers to Other Government Units	14	704,996,874	751,340,493
Other grants and transfers	15	85,714,919	109,303,460
Social Security Benefits	16		
Acquisition of Assets	17	751,492,295	703,728,477
Finance Costs, including Loan Interest	18		
Repayment of principal on Domestic and Foreign borrowing	19		
Other Payments	20	7,985,030	
TOTAL PAYMENTS		**4,229,085,318**	**4,123,498,133**
SURPLUS/DEFICIT		**868,761,301**	**258,556,520**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30th Sep, 2019 and signed by:

Chief Officer
Name: David Lesamana

Head of Treasury
Name: Joseph Lekalkuli
ICPAK Member Number: 6711

5.2. STATEMENT OF ASSETS AND LIABILITIES

	Notes	2018-2019 KShs	2017-2018 KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	21A	1,388,400,396	511,561,419
Cash Balances	21B		
Total Cash and cash equivalent		**1,388,400,396**	**511,561,419**
Accounts receivables – Outstanding Imprests	22	69,957,989	64,343,688
TOTAL FINANCIAL ASSETS		**1,458,358,385**	**575,905,107**
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	23	**71,657,699**	**76,662,790**
NET FINANCIAL ASSETS		**1,386,700,686**	**499,242,317**
REPRESENTED BY			
Fund balance b/fwd	24	499,242,317	240,685,797
Prior year adjustments	25	18,697,068	
Surplus/Deficit for the year		868,761,301	258,556,520
NET FINANCIAL POSITION		**1,386,700,686**	**499,242,317**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30th Sept. 2019 and signed by:

Chief Officer
Name: David Lesamana

Head of Treasury
Name: Joseph Lekalkuli
ICPAK Member Number: 6711

5.3. STATEMENT OF CASH FLOWS

	Notes	2018-2019 KShs	2017 – 201 KShs
Receipts from operating income			
Exchequer Releases	1	4,634,664,683	3,964,152,8
Proceeds from Domestic and Foreign Grants	2	4,383,345	-
Transfers from Other Government Entities	3	213,955,254	129,763,05
Reimbursements and Refunds	7		
Returns of Equity Holdings	8		
County Own Generated Receipts	9	243,199,870	224,823,90
Returned CRF issues	10	1,643,467	63,314,881
Payments for operating expenses			
Compensation of Employees	11	- 1,641,733,470	- 1,556,774,
Use of goods and services	12	- 1,037,162,731	- 1,002,350,
Subsidies	13		
Transfers to Other Government Units	14	- 704,996,874	-751,340,49
Other grants and transfers	15	-85,714,919	- 109,303,46
Social Security Benefits	16		
Finance Costs, including Loan Interest	18		
Other Payments	20	-7,985,030	
Adjusted for:			
Prior year Adjustments		18,697,068	
Changes in receivables		- 5,614,301	
Changes in payables		- 5,005,091	
Net cash flow from operating activities		**1,628,331,272**	**962,284,99**
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	6		
Acquisition of Assets	17	-751,492,295	-703,728,47
Net cash flows from Investing Activities		**-751,492,295**	**-703,728,47**
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Domestic Borrowings	4		
Proceeds from Foreign Borrowings	5		
Repayment of principal on Domestic and Foreign borrowing	19		
Net cash flow from financing activities			
NET INCREASE IN CASH AND CASH EQUIVALENTS		**876,838,977**	**258,556,519**
Cash and cash equivalents at BEGINNING of the year	21	**511,561,419**	**253,004,900**

Cash and cash equivalents at END of the year	24	**1,388,400,395.9**	**511,561,41**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30th Sept, 2019 and signed by:

Chief Officer
Name: David Lesamana

Head of Treasury
Name: Joseph Lekalkuli
ICPAK Member Number: 6711

5.4. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	5,399,886,135	-	5,399,886,135	4,634,664,683	765,221,452	86%
Proceeds from Domestic and Foreign Grants	4,383,345		4,383,345	4,383,345	-	100%
Transfers from Other Government Entities	213,955,254	-	213,955,254	213,955,254	-	100%
Proceeds from Domestic Borrowings		-			-	
Proceeds from Foreign Borrowings		-			-	
Proceeds from Sale of Assets		-			-	
Reimbursements and Refunds		-			-	
Returns of Equity Holdings		-			-	0%
County Own Generated receipts	255,031,228	-	255,031,228	243,199,870	11,831,358	95%
Return issues to CRF	1,643,467		1,643,467	1,643,467	-	100%
TOTAL	**5,874,899,429**	-	**5,874,899,429**	**5,097,846,619**	**777,052,810**	**87%**
PAYMENTS						
Compensation of Employees	1,788,418,175	204,768,383	1,993,186,558	1,641,733,470	351,453,088	82%
Use of goods and services	1,435,315,859	147,939,826	1,583,255,685	1,037,162,731	448,521,864	66%
Subsidies					-	
Other grants and transfers	102,000,000	(18,500,000)	83,500,000	85,714,919	(3,446,219)	103%

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
Transfers to other government entities	156,000,000	34,253,630	190,253,630	704,996,874	-514,743,244	371%
Social Security Benefits	31,909,982	(9,433,892)	22,476,090	-	22,476,090	0%
Acquisition of Assets	1,965,003,704	22,223,762	1,987,227,466	751,492,295	1,271,952,657	38%
Finance Costs, including Loan Interest					-	
Repayment of principal on borrowings					-	
Other Payments	15,000,000	-	15,000,000	7,985,030	8,246,270	53%
TOTAL	**5,493,647,720**	**381,251,709**	**5,874,899,429**	**4,229,085,318**	**1,554,460,506**	**74%**
SURPLUS/(DEFICIT)				**868,761,301**		

[*Provide below a commentary on significant underutilization (below 50% of utilization) and any overutilization]*

(a) *Proceeds from domestic and foreign grants 100%. This relates to KES 4,383,345 received directly into the grant's operational account by FAO meant for PPR vaccination.*

(b) *Other grants and transfers of 103% over expenditure, there was a budget reduction of KES 18,500,000 during supplementary while expenses had already been incurred.*

(c) *Transfers to other government entities 371%. This is because of funds transferred to the County Assembly whose budget is not in captured in this appropriation template*

(d) *Social Security Benefits of 0% under expenditure because there was no expense of this nature.*

(e) *Acquisition of Assets of 38% under expenditure was due to slow implementation of development activities due to the challenges of e-procurement at the initial stages of its roll-out.*

(Explain *whether the changes between the original and final are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23 The total of actual on comparable basis should tie with the totals under receipts and payments where this is not the case, a reconciliation should between the two statements should be prepared and disclosed.)*

The entity financial statements were approved on 30th Sep, 2019 and signed by: