

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
COUNTY GOVERNMENT OF BARINGO**

**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 BARINGO FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of County Government of Baringo set out on pages 8 to 26, which comprise the statement of financial assets as at 30 June 2015, and the statement of receipts and payments, statement of cash flows, 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. 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.

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 Public Audit Act, 2003 and submit the report in compliance with the Article 229 (7) of the Constitution of Kenya. 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 disclosure 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.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my adverse audit opinion.

Basis for Adverse Opinion

1.0 Outstanding Rates

The statement of receipts and payments for the year ended 30 June 2015 reflects other receipts of Kshs.249,723,429. According to note 12, included in the balance is plot rent income of Kshs.17,317,051 against a projected income of Kshs.78,860,058, thereby giving the revenue collection shortfall of Kshs.61,543,007 as tabulated below.

Summary	Annual Rent and Rates (Kshs)	Payment 2014/2015 (Kshs)	Outstanding (Kshs)
Kabarnet Town	17,847,605	9,294,548	8,553,057
Eldama Ravine Town	11,889,276	3,224,545	8,664,731
Eldama Ravine Sub-County	4,353,390	553,480	3,799,910
Mogotio	14,531,041	2,207,453	12,323,588
Baringo South	13,406,708	937,485	12,469,223
Tiaty	1,784,242	282,600	1,501,642
Baringo North	8,439,796	28,700	8,411,096
Baringo Central	6,608,000	788,240	5,819,760
Total	78,860,058	17,317,051	61,543,007

In the circumstance, the revenue collection under the item of Annual Rent and Rate underperformed by seventy eight percent (78%).

2.0 Employee Cost

The cost of compensation for employees increased from Kshs.1,553,059,385 in 2014 to Kshs.1,994,569,955 in 2015. This was an increase of Kshs.441,510,570 or 28.4%. The total employee cost represents 51% of the total revenue. Evidently, this high wage bill is not tenable and unless the employment freeze is instituted, the service delivery may not be sustainable. In the circumstance, fiscal responsibility principle as provided by Section 107 of the Public Finance Management Act, 2012 is being violated.

2.1 Payroll Data not reflected In IPPD Payroll

Salaries amounting Kshs.272, 825,309 as tabulated below were paid outside the IPPD payroll system. Although, the expenditure has been included in the total cost of employees the practice may create internal control challenges, such as ghost workers or double payment.

In the circumstance, the County Government should take every step to ensure employee emoluments are paid through the prescribed system.

Particulars	Amount (Kshs.)
Economic Stimulus Programmes	17,234,237
Local Contract	6,760,484
Newly Employed Health Workers	13,712,471
Officers Paid Outside IPPD	23,280,679
Employees on Contract	23,578,583
ESP Workers	12,156,401
Contractual Staffs on Departments	9,708,756
Officers on Secondment	400,000
Assembly Staff	8,826,416
Contracted Staff	655,622
Temporary Ward Employees	5,668,500
ECD Teachers	150,843,160
Total	272,825,309

3.0 Domestic Travel

The cost of goods and services rose from Kshs.518,975,081 in 2014 to Kshs.675,009,606 in 2015. The increase of Kshs.156,034,525 resulted from increase in domestic travel which rose by Kshs.120,601,040 from Kshs.135,244,417 as at 30 June 2014 to Kshs.255,845,477 or 89% in 2015. Other notable increase in expenditure was in communication, supplies and services which rose from Kshs.8,362,782 in 2014 to Kshs.50,308,991 in 2015. In both cases the increase was more than proportionate and unless expenditure control is instituted, continued increase may hurt funding in other areas.

4.0 Assets and Liabilities from Defunct Local Authorities

As previously stated the assets and liabilities owned by the Defunct Local Authorities before the County Government came into being have not been identified, validated and handed over to the County Government and dissolved by way of a note to the financial statements.

Consequently, the validity and completeness of the assets and liabilities of the County Government of Baringo as at 30 June, 2015 could not be confirmed.

5.0 Pending Bills

Note 27 in the financial statements discloses pending bills amounting to Kshs.174,023,700.90 as at 30 June 2015. However, schedules presented for audit did not include details of invoices, fee notes, and delivery notes to confirm the authenticity of the balances. In the absence of supporting documentation, the accuracy and validity of this figure could not be confirmed. Further, it could not be understood why the County closed the year with pending bills yet Kshs.866,573,812 in the development vote was not spent as at 30 June, 2015

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of the County Government of Baringo as at 30 June 2015, 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 do not comply with Public Finance Management Act, 2012.

Other Matter

(i) Budgetary Performance

(a) The total approved budget for County Government for the year as tabulated below were Kshs.5,012,341,436 against an actual of Kshs.4,108,029,139 resulting under absorption of Kshs.904,312,296 of 18%. Recurrent approved estimate for the year stood at Kshs.2,960,575,785 against an actual recurrent expenditure of Kshs.2,922,837,300 resulting to an under expenditure of Kshs.37,738,484 or 1%. Similarly, the approved development expenditure estimate was Kshs.2,051,765,651 against actual expenditure of Kshs.1,185,191,838 resulting to under absorption of development funds amounting Kshs.866,573,812 or 42% of the total development budget.

Details

Item	Approved Estimate Kshs.	Actual Kshs.	Variance Kshs.	Percent (%)
Recurrent	2,960,575,785	2,922,837,301	37,738,484	1.3%
Development	2,051,765,651	1,185,191,839	866,573,812	42%
Total	5,012,341,436	4,108,029,140	904,312,296	18%

(b) Budget Performance as Per Ministries and Departments

Analysis of budget performance reveals over expenditure in some departments as indicated below:-

Cost Centre	Budget Kshs.	Actual Kshs.	Variance Kshs.	Percent (%)	Under Absorption
Governor's Office	349,893,309	297,852,100	52,041,209	85%	15%
Treasury	256,399,916	224,547,239	31,852,677	88%	12%
Agriculture	430,454,236	313,097,791	117,356,445	73%	27%
County Assembly	444,042,178	382,711,619	61,330,559	86%	14%
Education	496,008,578	402,481,804	93,526,774	81%	19%
Eldama Ravine	66,602,488	41,327,834	25,274,654	62%	38%
Environment	63,910,080	51,951,304	11,958,776	81%	19%
Health	1,454,013,059	1,227,322,560	226,690,499	84%	16%
Kabarnet Town	76,311,493	67,573,733	8,737,760	89%	11%
Lands	90,469,453	52,117,585	38,351,868	58%	42%
Tourism	241,130,412	267,765,818	26,635,406	111%	11%
Transport	464,830,531	379,234,140	85,596,391	82%	18%
Water	456,524,372	299,597,595	156,926,777	65%	35%
Youth	142,080,377	100,448,018	41,632,359	71%	29%
Total	5,012,341,436	4,108,029,140		82%	

The summary reveals under absorption of funds in various departments of the County Government with a high of forty two percent (42%) in the department of lands. In addition, the water department had an under absorption of thirty four percent (34%) whereas the county comprises arid and semi-arid area for which water is critical. Further, the youth department had an under absorption of twenty-nine percent (29%).

(c) Revenue Performance

During the period under review, the County Government budgeted to receive Kshs.3,874,911,817 as its equitable share of revenue, foreign grants amounting Kshs.97,463,500 and internally generated income of Kshs.255,800,000 as tabulated below;

Source	Budget Kshs.	Actual Kshs.	Variance Kshs.	Percent %
Equitable Share	3,874,911,817	3,874,911,817	0	0
Daninda Grant	23,790,000	23,790,000	0	0
WHO Grant	73,673,500	29,191,000	44,482,500	60.4%
Local Income	255,800,000	249,723,429	6,076,571	2.4%

The World Health Organization disbursed Kshs.29,191,000 leaving a balance of Kshs.44,482,500 representing sixty percent (60%) while the local income had a deficit of Kshs.6,076,571 representing a shortfall of two (2%) percent.

(ii) Office of the Governor

During the period ended 30 June 2015, the Office of the Governor had a recurrent budget of Kshs. 284,177,884 against an actual expenditure of Kshs.259,870,892 and a development budget of Kshs.65,715,465 against an actual expenditure of Kshs.37,981,208. The Governor vote funds the office of deputy governor, the office of the County secretary and the County Public Service Board.

The Office of the Governor had an absorption rate of 91%in the recurrent vote and 42% percent in the development vote. The overall absorption of funds during the period was 85%.

Expenditure	Budget (Kshs.)	Actual (Kshs.)	Variance (Kshs.)	Absorption Rate
Recurrent	284,177,884	259,870,892	24,306,992	91%
Development	65,715,465	37,981,208	27,734,257	42%
Total	349,893,349	297,852,100	52,041,249	85%

Analysis of the budget revealed that the Office of the Governor paid salaries amounting Kshs.116,542,109.85 representing forty- one (41%) percent. During the year under review, some of the major expenditure in the office of the governor included the following items:-

Item	Amount (Kshs)
Domestic travel and subsistence	16,328,943
Foreign Travel	14,620,008
Fuel and motor vehicle maintenance	8,235,083
Disaster and emergency relief	37,663,906
Subscription to inter-government	14,407,727
Catering	4,149,700
Purchase of office furniture	7,321,761
Purchase of motor vehicles	17,484,216
Advertising	8,317,924
Security guards	4,831,411

The above expenditure were within the budget and the procurement complied with the law.

(iii) County Treasury

(a) Budgetary Performance

During the year under review, the County Treasury incurred actual expenditure of Kshs.223,766,599 against recurrent budget of Kshs.233,399,916 and a development expenditure of Kshs.780,640 against a budget of Kshs.780,640. The absorption of funds is 95% for recurrent and an under absorption of three percent (3%) for development.

Item	Budget Kshs.	Actual Kshs.	Variance Kshs.	Absorption Rate
Recurrent	233,399,916	223,766,599	9,633,317	95%
Development	23,000,000	780,640	22,219,360	3%
Total	256,399,916	224,547,239	31,852,677	88%

County Treasury should only allocate funds that are usable to avoid denying other needy departments

(b) Lack of Audit Committee

During the financial period under review, the County Internal Auditor did not have a committee to report to and has been addressing reports to the County Secretary. As a result, the work of the internal auditor is not in compliance Public finance management Act, 2012.

(iv) Ministry of Industrialization, Trade and Tourism

(a) Budgetary Performance

During the period under review, the department of Industrialization, Trade and Tourism had a recurrent budget of Kshs.93,824,913 against an actual of Kshs.146,317,498. The development budget was Kshs.147,305,499 against an actual of Kshs.121,448,320 as tabulated below;

Item	Budget Kshs.	Actual Kshs.	Variance Kshs.	Absorption Rate
Recurrent	93,824,913	146,317,497	52,492,584	156%
Development	147,305,499	121,448,320	25,857,179	82%
Total	241,130,412	267,765,817	78,349,763	111%

The Ministry had budgeted to spend Kshs.93,824,913 on recurrent expenditure but incurred actual expenditure of Kshs.146,137,497 leading to an over expenditure of Kshs.52,492,584. In addition, the Ministry had budgeted to spend Kshs.147,305,499 on development but actual expenditure was Kshs.121,448,320 leading to an under expenditure of Kshs.25,857,178 or eighteen (18%) percent. The over expenditure was not regularized by way of supplementary budget.

(b) Delay in Implementation of Fresh Produce Markets

Review of records for fresh produce markets during the month of December 2015, revealed that projects totaling Kshs.44,454,943 were incomplete long after the expiry of the intended completion dates as tabulated below. The non-completion of projects is an indication of lack of adherence to completion timelines and the County Government ought to invoke the contract clauses to recover liquidated damages for non completion of contract.

Fresh Produce Market-Location	Total Contract Sum Kshs.	Commencement Date	Contact period	Proposed Completion Date	Project Status by December 2015
Kaptelewa	10,894,036	29.04.2014	12 Weeks	28.08.2014	70% Complete
Tenges	11,670,000	02.07.2014	12 Weeks	01.10.2014	50% Complete
Bartabwa	10,445,704	02.07.2014	12 weeks	01.10.2014	Not started
Kabaranet	11,445,203	02.07.2014	12 weeks	01.10.2014	Not complete design changed
Total	44,454,943				

In the circumstance, the completion and utilization of these fresh produce markets remain in doubt and therefore value for money may not be obtained.

(c) Unutilized and Idle Fresh Produce Markets

Physical verification carried out to fresh produce markets revealed that four (4) markets as tabulated below were complete and not in use as intended and therefore no benefit is being derived by the community as intended. No explanation was given for not utilizing the facilities after incurring Kshs.40,663,726.05. In the circumstance, the residents have not received value for their resources.

Fresh Produce Market-Location	Total Contract Sum Kshs.	Project Status by December 2015
Mumberes	11,182,345.00	Complete and not in use
Industrial Kabarnet	6,001,410.80	Complete and not in use
Koloa	12,438,974.25	Complete and not in use
Emining	11,040,996.00	Complete but not in use
Total	40,663,726.05	

(d) Incomplete and Abandoned Curio Shops Projects

Records availed for audit review indicate that curio shops at a contract sum of Kshs.2,949,482 were incomplete. The contractor had abandoned the site after receiving a payment of Kshs.1,369,681. In the circumstance, the completion and utilization is in doubt.

Item	Contract Sum (Kshs.)	Amount Paid (Kshs.)	Balance (Kshs.)	Commencement Date	Contract Duration	Completion Date
Curio Shop at Baringo	1,322,502.08	624,307	698,194	06.06.14	12 Weeks	06.08.14
Curio Shops at Lake Bogoria	1,626,980.00	745,373	881,607	06.10.14	12 Weeks	26.12.14
Total	2,949,482.08	1,369,681	1,579,802			

(e) Lack of Procurement Records for Variation of the Project – Fresh Produce Market at Kabarnet

Records made available indicate that the contract for construction of fresh produce market at Kabarnet town was awarded to Okwei Building Contractors at a contract sum of Kshs.11,445,203 with a commencement date of 5 May, 2015 and a completion date of 5 September, 2015. The contract period was therefore twelve (12) weeks and an amount of Kshs.5,290,056 paid. Perusal of the project file revealed that the project was varied both in design and price from a thirty two (32) stalls building to a story building. However, tender committee minutes deliberating and approving the changes were not produced for audit verification. In addition, drawings to confirm the variation in design and subsequent cost were not availed as the project has stalled despite Kshs.5,290,056 having been paid.

Further, before the commencement of the project, the County Executive Committee member for Tourism through a letter referenced BCG/DICTED/VOL.1/1/3 of 11 August, 2014 requested for approval of variation. It is therefore not clear when the procurement proceedings commenced, ended, an award made and works started in the absence of records being produced to authenticate the same.

(v) Ministry of Agriculture

(a) Budgetary Performance

During the year under review, the department of agriculture had a recurrent budget of Kshs.191,311,452 resulting to over expenditure of Kshs.2,518,223 which has not been explained. The County Government also incurred actual development expenditure of Kshs.119,268,116 against a budget of Kshs.239,142,784 resulting to under absorption of Kshs.119,874,668 of 50%.

Item	Budget Kshs.	Actual Kshs.	Variance Kshs.	Percent %
Recurrent	191,311,452	193,829,675	(2,518,223)	101%
Development	239,142,784	119,268,116	119,874,668	50%
Total	430,454,236	313,097,791	117,356,445	

(b) Over Payment of Kshs.361,800 – Barwesa Slaughterhouse

During the year under review, Besko Investment was paid a sum of Kshs.9,688,692 for construction of Barwesa slaughterhouse as tabulated below:

Voucher Number	Amount Kshs.
10000450	3,278,272
10000765	2,657,180
11408	3,753,240
Total	9,688,692

The bill of quantities had stated that the roof covering was to have twenty- eight (28) gauge pre-painted galvanized iron sheets at a price of Kshs.1,600 per square meter. The area to be covered was four hundred and two (402) square meters. However, audit verification revealed that the contractor had used thirty (30) gauge iron sheets whose market price is Kshs. 700 resulting to an over payment of Kshs. 361,800 as tabulated below:

Structure	Quantity (SM)	At Kshs.1,600	At Kshs.700	Difference Kshs.
Office Block	45	72,000	31,500	40,500
Main Slaughter House	221	353,600	154,700	198,900
Hay Store	42	67,200	29,400	37,800
Toilet	25	40,000	17,500	22,500
Manure Shed	69	110,400	48,300	62,100
Total	402	643,200	281,400	361,800

In the circumstance, it could not be confirmed whether the County Government got value for money in the construction of the slaughter house with lesser gauge/quality materials.

(c) Over Payment of Kshs.361,800 – Loruk Slaughterhouse

Loruk slaughterhouse was constructed by Skatkat International at a cost of Kshs.7,085,944 as tabulated below:

Voucher Number	Amount (Kshs.)
10000655	3,440,174
10751	3,645,770
Total	7,085,944

The bills of quantities indicated that the contractor was to use gauge twenty-eight (28) of pre-painted galvanized alunzic metal sheets covering all the roofing at Kshs.1,600 per square meter. However, site visit revealed that the contractor used gauge thirty (30) which of a lower price of Kshs.700 and of lower quality. The contractor was paid at a rate of Kshs.1,600 per square meter instead of the actual for gauge thirty (30) resulting to an over payment Kshs.361,800 as tabulated below:

Structure	Quantity (SM)	At Kshs.1,600	At Kshs. 700	Difference Kshs.
Office Block	45	72,000	31,500	40,500
Main Slaughter House	221	353,600	154,700	198,900
Hay Store	42	67,200	29,400	37,800
Toilet	25	40,000	17,500	22,500
Manure Shed	69	110,400	48,300	62,100
Total	402	643,200	281,400	361,800

In addition, it was observed that the contract date was 31 March, 2014 but the County Secretary on behalf of the procuring entity signed the contract on 13 June, 2014 while the Chief Officer, Agriculture Livestock and Fisheries signed on 25 April, 2014 and the Chief Officer, Finance signed on 13 June, 2014. This is a clear indication of procurement procedures not being followed. In the circumstance, it could not be confirmed whether the County Government got value for money in the construction of the slaughter house.

(d) Non Utilization of Building Materials – ATC Koibatek

An amount of Kshs.257,330 was paid to Kenzem Agencies through payment voucher number 9752 of 30 February, 2015 for supply of building materials to ATC Koibatek. A site visit on 19 January, 2016 revealed that the materials are still lying unutilized since 30 May, 2014 when they were delivered. In addition, it was observed that some of the materials are deteriorating especially paints and chipboards that are being eaten by rats. In the circumstance, value for money has not been achieved.

(vi) Ministry of Lands

(a) Budget Performance

The Ministry incurred Kshs.52,117,586 against total budget of Kshs.90,469,453 representing absorption rate of 58%. The Ministry had a recurrent budget of Kshs.49,869,453 against an actual of Kshs.43,775,424. The development budget was Kshs.40,600,000 against an actual of Kshs.8,342,162 resulting to under absorption of Kshs.32,257,838 or 20% absorption as follows:

Item	Budget Kshs.	Actual Kshs.	Variance Kshs.	Percent %
Recurrent	49,869,453	43,775,424	6,094,029	88%
Development	40,600,000	8,342,162	32,257,838	20%
Total	90,469,453	52,117,586	38,351,867	58%

(b) Eldama Ravine Town Road Over-Payment of Kshs.1,805,380

During the year under review ended Kshs.5,057,280 was paid to two (2) contractors for routine maintenance of Eldama Ravine town road. Although an amount of Kshs.640,000 was paid to Lowlands Enterprises after having been awarded a contract at a price of Kshs.3,251,900, the contractor abandoned the works. The works were retendered and awarded to Kaboi building contractors at a contract price of Kshs.4,417,280. The resultant retendering of the works and award at a cost of Kshs.4,417,280 made the cost to escalate to Kshs.5,057,280 from the original cost of Kshs.3,251,900. The variation of Kshs.1,805,380 representing fifty-five (55) percent of the original cost has been explained as due to variation of works which increase the scope of work necessitating new BQs as a result of redesigning the

road afresh. However, a visit to the respective road on 19 January, 2016 revealed that the road has developed potholes casting doubt on the quality of the work done. In the circumstance, the County Government may not have received value for money in these works.

(vii) Ministry of Health-Budget Performance

The department of health incurred actual expenditure of Kshs.1,145,225,258 against recurrent budget of Kshs.1,183,352,549 and development actual expenditure of Kshs.82,097,302 against development budget of Kshs.270,660,510 representing an under absorption of funds of seventy (70%) percent. Therefore, Kshs. 188,563,208 of the development budget was not utilized. The Department of Health used Kshs.872,056,400 or seventy-six (76%) percent of its recurrent budget in paying salaries of health workers.

Summary

Item	Budget Kshs.	Actual Kshs.	Variance Kshs.	Percent Absorption
Recurrent	1,183,352,549	1,145,225,258	38,127,291	88%
Development	270,660,510	82,097,320	188,563,208	79%
Total	1,454,013,059	1,227,322,578	226,690,481	84%

(viii) Ministry of Education

(a) Budget Performance

Item	Budget Kshs.	Actual Kshs.	Variance Kshs.	Percent Absorption
Recurrent	246,211,294	244,535,030	1,676,264	99%
Development	249,797,284	157,946,774	91,850,510	63%
Total	496,008,578	402,481,804	93,526,774	81%

It was observed that the Ministry of Education spent Kshs.244,535,030 on recurrent expenditure out of which Kshs.180,686,738.20 or seventy-four (74%) percent was spent in paying salaries. In addition, Kshs.249,797,254 had been budgeted for development but only Kshs.157,946,774 was spent leading to an under expenditure of Kshs.91,850,510 or an under absorption rate of 63%. The under absorption has not been explained.

(b) Baringo County Education Bursary Fund

The County Government of Baringo transferred Kshs.56,000,000 to Education Bursary Fund in an account held at Equity Bank Kabarnet number 1390262458895 in three tranches dated 9 October 2014, 15 January 2015 and 17 June 2015 for Kshs.15,000,000, Kshs.15,000,000 and Kshs.26,000,000 respectively.

However, the County Government did not prepare a fund account to show how the funds were disbursed to individual and beneficiary institutions. In the circumstance, the bursary could not be confirmed as having been received and disbursed to needy cases.

(ix) Ministry of Gender and Sports

(a) Budget Performance

The Ministry of Gender and Sports incurred total actual expenditure of Kshs.100,448,081 against total budget of Kshs.142,080,377 respectively absorption rate of 71%. The Ministry had a recurrent budget of Kshs.59,754,435 against an actual of Kshs.64,517,771 resulting to an over expenditure of Kshs.4,763,336. The development budget was Kshs.82,325,942 against an actual of Kshs.35,930,247 resulting under absorption of funds of 56% for which no explanation has been made for the under absorption. In addition, Kshs.39,404,985 of the recurrent expenditure was used to pay salaries. This represented seventy-five (75%) percent of the recurrent vote.

Item	Budget Kshs.	Actual Kshs.	Variance Kshs.	Percent Absorption %
Recurrent	59,754,435	64,517,771	4,763,336	108%
Development	82,325,942	35,930,247	46,395,695	44%
Total	142,080,377	100,448,018	51,159,031	71%

(c) Proposed Construction of Dormitory Block at Kabarnet School for the Deaf and Blind

A sum of Kshs.2,892,106 was paid to Kipnyekwei building contractors for construction of a dormitory block at Kabarnet School for the Deaf and Blind. However, a site visit to the school revealed that the floor has developed cracks even before the dormitory has been commissioned for use. The floor of the washrooms and bathrooms is poorly done with no proper drainage system and according to the Principal in charge they are of no use unless the floor is re-done.

In addition, as per the bill of quantities the contractor was to use pre-painted iron sheets however, the roofing was done using ordinary iron sheets and no deduction on the use of lower quality materials other those in the bill of quantities was done during payment. In the circumstance, the works were poorly done and therefore the County Government did not receive value for money in this construction.

**(d) Proposed Construction of Boundary Wall at Kabarnet Stadium
Kshs.10,775,356.00 Tender Number BRCG/TNR/300/2013/2014**

Tender for construction of boundary wall at Kabarnet stadium was awarded to M/s Triumph at a cost of Kshs.10,775,356. During the period, an amount of Kshs.2,851,542.12 was paid through payment voucher numbers 10000542 and 10000541 of 6 October, 2014. However, although the works are ongoing, the County Government does not own land where the construction is being done. In the circumstance, the expenditure may go to waste if a third part claims the same land.

(x) Ministry of Transport - Budget Performance

Out of the budgeted amount of Kshs.464,830,531, Ministry of Transport incurred actual amount of Kshs.379,234,140 representing 82% absorption. The Ministry of Transport had a recurrent budget of Kshs.62,684,143 against an actual expenditure of Kshs.53,097,468. The development budget was Kshs.402,146,388 against an actual amount of Kshs.326,136,672 representing eighty-one (81%) absorption of development funds. Seventy (70%) percent of the recurrent funds or Kshs.37,133,476 was used to pay salaries.

Details

Item	Budget Kshs.	Actual Kshs.	Variance Kshs.	Percent Absorption %
Recurrent	62,684,143	53,097,468	9,586,675	85%
Development	402,146,388	326,136,672	76,009,716	81%
Total	464,830,531	379,234,140	85,596,391	82%

(xi) Ministry of Water

(a) Budgetary Performance

The recurrent budget for the Water Department was Kshs.83,222,840 against an actual amount of Kshs.85,201,712 resulting to over expenditure of Kshs.1,978,872 which has not been explained and supported. The development budget was Kshs.373,301,532 against an actual expenditure of Kshs.214,395,883 representing fifty-seven (57%) absorption of funds.

Item	Budget Kshs.	Actual Kshs.	Variance Kshs.	Percent Absorption %
Recurrent	83,222,840	85,201,712	1,978,872	102%
Development	373,301,532	214,395,883	158,905,649	57%
Total	456,524,372	299,597,595	160,884,521	66%

(b) Irrigation Projects

The Ministry of Water spent Kshs.31,963,811 on various irrigation projects as tabulated below. The management has explained that the projects will be implemented in phases and all are ongoing and that even during the rainy seasons the lower parts of the county receive very little rainfall and therefore depend on irrigation all the time. However it appears projects were expected to irrigate a total of 1,075 acres of land.

Audit verification established that although these projects were declared complete, there was very little or no irrigation activities taking place. The irrigation projects were mostly planned and implemented along seasonal rivers that have since dried up or are on the verge of drying up and there were no feasibility studies provided by the management to confirm viability and implementation scheduling. In the circumstance, the viability of these projects implemented at a cost of Kshs.31,963,811 could not be confirmed.

No.	Name	Expenditure (Kshs.)	Acres Expected to be Irrigated
1.	Kapkelelwa Irrigation Project	10,000,000	200
2.	Cheraik Irrigation Project	6,480,022	300
3.	Awee Domestic and Irrigation Project	4,152,200	250
4.	Mukuyuni Irrigation Scheme	2,728,047	75
5.	EMSOS Irrigation Scheme	2,615,025	100
6.	Emining Irrigation Scheme	5,988,517	150
	Total	31,963,811	1,075

(c) Cheraik Irrigation Project

The project was started in the 2013/14 financial year when the intake weir was constructed. The Kshs.6,480,022 was allocated during the year under review on eight (8) inch main pipe from the intake and two (2) inch distribution lines. This phase was indicated as complete.

The project was expected to irrigate two hundred and fifty (250) acres of land. However, during audit verification, it was observed that very little irrigation farming was taking place. It could therefore appear that majority of the residents living around the project were not interested in irrigation farming. Only two (2) households were observed to have directed the water to their farms although no meaningful irrigation was being carried out.

Further, it could not be established if the water flowing through the main pipe from the intake weir was sufficient to carry out sustainable irrigation. It was observed that the project did not factor construction of a dam to enhance quality and sustainability of water for irrigation.

(e) Kapkelelwa Irrigation Project - Kshs.10, 000,000

During the 2014/15 financial year, Kshs.10 million was allocated to the project for pipeline extension. The contractor delivered pipes to the site but did not lay them as required and therefore the expected benefit of the project may not be achieved due to delay in implementation. Although when completed, the project is expected to achieve two hundred (200) acres of irrigation, the project planning did not factor in dam construction to harness, retain and control water necessary for sustainable irrigation. The expected irrigation may last only for short periods since the river is seasonal. In the circumstance, it could not be confirmed that value for money was achieved.

(f) Mukuyuni Irrigation Project

The project involved eight hundred (800) meters of canal lining, construction of road crossings and division boxes, and protection works at the intake weir. When completed, the project is expected to irrigate seventy five (75) acres of land. However, audit verification established that the intake weir was dry and therefore no water was flowing down the canals. In addition, the management explained that there was a dispute with the surrounding communities which resulted into diversions of water for animal use. It was further observed that there is a lot of interference of the water upstream by a large scale sisal farming, other irrigation activities and herders with the possibility of a dry weir and canals being a permanent feature. Proper feasibility studies should have established the unreliability of the water source. Further, a dam could have been constructed to make the irrigation project. In the circumstance, it could not be confirmed that value for money was achieved.

My opinion is not qualified in respect of these matters.



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

Nairobi

20 September 2016