

**ANALYSIS OF THE
AUDITOR GENERAL'S
REPORTS**

**ON THE FINANCIAL STATEMENTS
OF BARINGO COUNTY EXECUTIVE
2015/16 - 2017/18**



Institute of
Economic Affairs



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Acronyms and Abbreviation

CEC	County Executive Committee
CIDP	County Integrated Development Plan
CSOs	Civil Society Organizations
DLMC	District Livestock Management Committee
FY	Financial Year
GK	Government of Kenya
GoK	Government of Kenya
IFMIS	Integrated Financial Management System
IPSAS	International Public Sector Accounting Standards
KEMSA	Kenya Medical Supply Agency
KERRA	Kenya Rural Roads Authority
KPLC	Kenya Power and Lighting Company
Kshs.	Kenya Shillings
LPO	Local Purchase Order
MDAs	Ministries, Department and Agencies
NEMA	National Environmental Management Authority
OAG	Office of the Auditor General
OCoB	Office of the Controller of Budget
OSR	Own Source Revenue
PAA	Public Audit Act, 2015
PFMA	Public Finance Management Act, 2012
VfM	Value for Money

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Executive Summary

Governments, regardless of whether at national or sub-national level exist for the sole reason of providing public goods and services to its citizen. Efficient service delivery, therefore, can only be realized through prudent utilization of public resources.

The Constitution of Kenya, in article 229(6) establishes the Office of the Auditor General as an independent institution that is mandated to determine, among other functions, whether or not public money has been applied lawfully and in an effective way. This report is an analysis of the Auditor General's report for Baringo County Executive for FY 2015/16, 2016/17 and 2017/18. The findings shows that the County Executive's financial statements had a qualified opinion in all the three periods under review. The analysis looked at all the issues that formed the basis for qualification of the financial statements in addition to other issues that though did not form the basis for qualification but have been constantly flagged out by the Auditor General's reports across the period under review, and thus still remain unmitigated.

The analysis shows that during the period under review, Baringo County Executive largely failed to meet the constitutional threshold set out in article 229(6) of the constitution. The following are the summary of the issues that formed the basis for the qualification of the county executive's financial statements;

- Pending bills: These are liabilities incurred in the previous years but were never paid in the year in which they were incurred and therefore carried forward to the next financial year. This is a major issue since failure to settle liabilities in the year in which they are incurred distorts the preceding year's budget.
- Failure to adhere to financial laws and regulations: This relates to non-adherence to Public Procurement and Asset Disposal Act 2015, PFM Act 2012 and PFM Regulations 2015. In particular, the violation of financial laws and regulations included incurring irregular expenditure; unbudgeted expenditure; unaccounted expenditure; and violation of procurement procedure.
- Lack of Value for Money: This is manifested by abandoned or deserted projects; stalled projects; and incomplete projects
- Long Outstanding (unreconciled) balances: This included outstanding unreconciled, understated and/or overstated imprests; long outstanding uncleared debts
- Lack of supporting documents: absence of documentary evidence; failure to provide records; and failure to provide justifiable explanation.
- Failure to reconcile books of accounts: This includes unexplained or unreconciled variances; and unreconciled variances in cash and bank balances

To ensure that public funds are applied lawfully and in an effective manner, there is need for the Baringo County assembly, through its Public Accounts and Investment Committee to oversight the usage of these public money and mete out sanctions of county agencies and officers who have been cited by the Auditor General reports. Without taking their oversight role seriously, the people of Baringo County are unlikely to fully realize the fruits of devolution.

1.0 Introduction

The enactment of the new Constitution in 2010 led to, among other changes, the transformation of the public finance management landscape in Kenya. Among the changes brought by the new constitutional framework is the elaborate budget process with four distinct budget cycle¹. In addition to setting out the principles² of public finance, the Constitution of Kenya also established the Office of the Auditor General (OAG) as an independent office pursuant to article 248(3) of the Constitution of Kenya.

The OAG is mandated by law to undertake audit of all public entities³ both at the county and national level. In doing this, the OAG is required to establish whether public funds have been applied lawfully, that is, following budgets and financial procedures for procurement and spending, and in an effective manner⁴.

Auditing

- *"Is defined as an independent verification of an entity's financial statements, as well as non-financial information with the objective of ascertaining fairness and accuracy of representation of the transactions carried out by the entity."* ~ **(Office of the Auditor-General, 2016).**

In undertaking the public audit, the OAG is guided by the Constitution of Kenya, 2010, the applicable International Public Sector Accounting Standards (IPSAS), the provisions of the Public Audit Act, 2015 (PAA, 2015) and the Public Finance Management Act, 2012 (PFMA, 2012).

The OAG is required by law to produce Audit Reports within six months after the end of each financial year (Republic of Kenya, 2010). However, owing to the challenges faced by the office of the Auditor General, the office has never met this deadline since its inception. Upon concluding the audit process, the OAG expresses an opinion indicating whether in the assessment of the public entities' accounts the following have been observed: - has all the information and explanations considered necessary for the audit been received? were proper records of all the transactions as required under the generally accepted accounting practices maintained? and finally, does the accounts reflect fairly the financial position of the entity audited?

¹The budget cycle is composed of Formulation phase, Approval phase (by the legislature), Budget Execution or Implementation phase (by various government entities) and the Auditing phase (undertaken by the Office of the Auditor General).

²Art. 201 of the Constitution of Kenya, 2010

³Includes all County Governments; all national government Ministries, Departments and Agencies (MDAs); all State Corporations; Judiciary, Parliament; Independent Offices and Commissions; and any public body established by legislation.

⁴Art. 239 of the Constitution of Kenya

The OAG is under a constitutional duty to among other, satisfy himself that the county agencies have applied public funds for its intended purposes; confirm that indeed counties are taking reasonable precautionary measures to safeguard revenue collection and asset and liabilities acquisition in addition to providing the public with an assurance regarding the effectiveness of county internal control risk management and governance⁵.

This is a report of the Analysis of the Auditor General’s Reports on the Financial Statements of Baringo County Executive for the period FY 2015/16, FY 2016/17 and FY 2017/18. The analysis has limited itself to the statutory annual financial audit.

1.1 Background of the Study

With the transfer of political and fiscal power to the counties, there is increasingly the need for both the public and civil society organizations to oversight how the public funds are being utilized. Much as there are gains witnessed as a result of transferring resources from the central government to the devolved units, there are emerging concerns that service delivery is likely to be affected owing to increased cases of theft and plunder of devolved funds. This calls for vigilance over public spending and this can be enhanced through strengthening the capacity of the non-state actors at the county level to be able to read and understand the audit reports for purposes of using them to push the advocacy agenda with respect to oversighting public spending.

1.2 Significance of the Study

The report provides a trend analysis of the audited financial accounts of the County Executive arm of Baringo County Government. It is expected that the findings of the study will help the Civil Society Organizations (CSOs) together with the citizen to understand these reports for purposes of informing their advocacy work on budget and social accountability for improved service delivery. It will also help in increasing the civil society organization’s knowledge and capacity on the audit process and how to partner with the office of the Auditor General towards strengthening the audit processes at the county level. Further, the findings of the study will help to strengthen the ability of CSOs to interpret, understand and advocate on key issues highlighted in the annual reports across the years besides.

1.3 Methodology

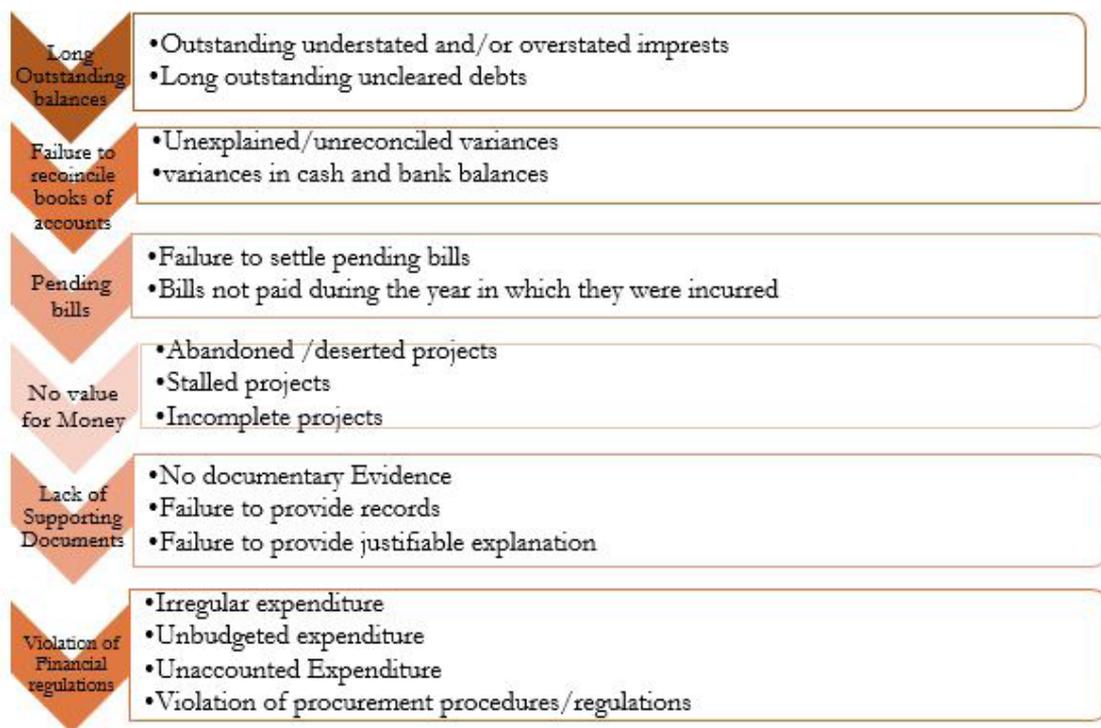
The study looked at the Auditor General’s reports for the financial statements of the Executive arm of Baringo County Government from FY 2015/16 to FY 2017/18. The review examined both the financial and non-financial information as presented by the OAG reports.

For purposes of this analysis, the audit queries raised by the OAG were broadly clustered under the following 6 families; Lack of supporting documents; Pending bills; Failure to reconcile books of accounts; Violation of financial regulations; Long outstanding balances; and Lack of Value for Money (VfM). All the other audit queries that could not be classified under any of these broad categories were lumped together under the category of “other audit queries.”

⁵The Public Audit Act 2015

This report was developed in a participatory manner by way of consultation and collaboration with IEA's partner in Baringo County, the Centre for Democracy and Good Governance (CEDGG). The analysis was preceded by a desk review of the legal and regulatory background under which the audit was undertaken in addition to reviewing all the audit reports for the period under review. This was followed by identification of audit queries and corresponding amounts across the three fiscal years; development of a data panel and subsequently analysis and presentation of the data through descriptive statistics.

Table 1: Classification of Audit Issues



Source: Author's Compilation from the OAG Reports – various issues

2.0 Audit findings for the County Executive for FY 2015/16 – FY 2017/18

This section presents the findings of the review of the OAG report with respect to the overall opinion and the queried issues across the three years. The OAG is duty-bound to scrutinize the county's books of accounts alongside all the supporting documents and disclosures in order to establish whether the financial statements are devoid of any materiality misstatement.

A review of the audit reports shows that Baringo County Executive had qualified opinion in each of the financial years under review. The following table give a summary of the opinions against the issues queried;

Table 2: Trends in the types of Audit opinions obtained by the county and the number of the queried issues

Category	FY 2015/16	FY 2016/17	FY 2017/18
Opinion	Qualified	Qualified	Qualified
No. of Queried Issues	14	12	4

Source: Author’s Compilation from OAG’s reports – various issues

The table above (table 2) shows that although the executive received qualified opinion in all the three years, the number of queried issued reduced by half in the year 2017/18. In both FY 2015/16 and FY 2016/17 the number of audit queries raise by the auditor General was 8 while this reduced to 4 in FY 2017/18. The table also shows that in the entire period under review, there was no instance in which the Auditor General was absolutely satisfied with the county’s financial reporting.

A review of the queried issues shows that although the county executive did not receive unqualified opinion in any of the years under review there is hope that should the executive improve on its book keeping and adherence to both financial and procurement regulations the trend is likely to change.

2.1 County Executive Expenditure for FY 2015/16 –FY 2017/18

A review of the Budget implementation reports from the office of the Controller of Budget together with the OAG reports shows that during the three years under review, the county executive’s total expenditure accounted for, on average, 89.4% of the actual expenditure. The table below gives a summary of the County’s actual expenditure for the three years;

Table 3: Summary of County Expenditure for FY 2015/16 – FY 2017/18 (Kshs. Million)

	FY 2015/16	FY 2016/17	FY 2017/18
County Executive Expenditure	4,242.02	4,665.08	4,588.58
Total County Expenditure	4,804.20	5,305.15	5,244.35
% of County Executive to Total County Expenditure	88.3	87.9	87.5
% Average County Executive as a share of County Expenditure	89.4 %		
Audit Opinion	Qualified	Qualified	Qualified
Top 3 most Queried Issues	<ol style="list-style-type: none"> 1. Long outstanding pending bills worth to Kshs. 184.75 Million. 2. High roll over projects/Delayed Implementation of Projects worth Kshs.207.5 Million 	<ol style="list-style-type: none"> 1. Long outstanding pending bills (Kshs. 78.84 million) 2. Understated outstanding Imprests amounting to Kshs. 21.63 Million 	<ol style="list-style-type: none"> 1. High roll over projects - Kshs. 1,722.6 Million 2. Understated outstanding pending bills worth Kshs 84.08 million.

	3. Unsupported Expenditure Kshs. 15.05 Millions	3. High Roll over Projects worth Kshs 943.5 Million	3. Kshs. 16.8 Million paid for an abandoned and incomplete Kabarnet Stadium
Top 3 most Queried Issues Highest Amount Queried (Kshs.)	Kshs. 207.5 Million (High roll over projects/ Delayed Implementation of Projects)	Kshs 943.5 Million (High Roll over Projects)	Kshs. 1,722.6 Million (Delayed implementation of projects)
% share of the expenditure queried	4.9	20.2	37.5

Source: Author’s compilation from OAG reports and Controller of Budget’s Implementation Reports – Various issues.

Table 2 shows that the most prevalent queried issue in each of the financial year was the high roll over projects associated with inadequate planning and violation of the provisions of section 29 of the Public Finance Management (County Governments) Regulation, 2019 which requires county government to include in their budgets only projects/expenditure items that the county can implement subject to the resources available. Majority of these delayed projects were traced to the Ministries of Health; Education; Transport &Infrastructure; and Agriculture.

Across the three years, the percentage share of the expenditure queried (delayed implementation of projects) grew from 4.9% in FY 2015/16 to 20.2% in FY 2016/17 and 37.5 in FY 2017/18. If the trend is not mitigated, the cost of implementing these projects will increase as a result of inflationary factors attributed to changes in cost of materials over time. Additionally, the continued delay in implementing these projects would not only deny the public service delivery that would have accrued to them as a result of the completion of these projects but also prove costly to the county government given that the delays can possible result in litigations from contractors some of whom have not been paid dues owed to them.

2.2 Trends in Total Queried Amount for FY 2015/16 – FY 2017/18

This section looks at the trend in the total queried amounts as a share of the total county executive expenditure. For purposes of this analysis, queried amounts refers to the aggregate of all the amounts whose related transactions breaches International Public Sector Accounting Standards (IPSAS), PFM Act,2012, PFM Regulations, 2015, Public Audits Act, 2015 among others.

Although the total number of the queried issues in the three years was 20 there are a number of issues raised by the auditor under the section of “other matter” that if not addressed are likely to undermine the improvement of the financial position of the county executive. The figure below show the trend analysis for the amount queried across the years under review;

Figure 1: Trend analysis for the amount queried FY 2015/16 -FY 2017/18 (Kshs.)



Source: Author’s compilation from OAG Reports –various issues and OCoB reports – various issues.

Figure 1 above shows that during the year under review, the total amount queried was Kshs 617.31 million representing 14.6 per cent of the total county executive expenditure. This however, went up to Kshs. 1.1 billion (23.5 per cent of the total county executive expenditure). The county executive’s inability to address majority of the issues raised in FY 2015/16 and FY 2016/17 saw the share of queried amount to the total executive expenditure grow to 40.6 per cent.

Table 4: Queried amount per selected departments/ministries FY 2015/16

Department	Query	Queried amount (Kshs. Millions)	Total Expenditure for the department (Kshs. Millions)	%
Ministry of Health	<p>Doubtful Expenditure</p> <p>Documents attached to the payment voucher indicated that the requisition was signed long after electrical materials were delivered.</p> <p>The Local Purchase Order (LPO) attached to the payment voucher did not provide descriptions of the unit price for the items.</p>	1.50	1,780.58	0.1

Ministry of Tourism (Industrialization, Commerce and Tourism)	Improper charge on public funds (The County through the Min of Tourism gave the community a grant of Kshs. 5.8 million; The MoU between the Min of Tourism and Lake Bogoria Community required the county to give 10% of the revenue collected from Lake Bogoria National Reserves in each fiscal year to be given back to the community; <ul style="list-style-type: none"> No funds board established to manage the grant; no expenditure returns were provided to show how the grant was distributed to the communities, the list of beneficiaries and the purpose for the payments) 	5.80	159.40	3.6
	Unbudgeted expenditure (construction of Marigat Eco toilet bus not budgeted for; this expenditure was re-allocated from appropriate items; the project completed but not put to use therefore no value for money)	2.68	159.40	1,7
	No Value for money Kabarnet dumpsite is an Idle project; located near a river therefore may turn out to be hazardous to the community; no road accessing the dumpsite, may not be put to use even if it were to be completed; feasibility study was not done before the land was designated as dumpsite; no report from NEMA authoring the use of the land as dumpsite	0.82	312.01	0.3
Min of Agriculture, Livestock, Fisheries and Marketing	Irregular re-allocation of public funds (The funds were allocated for construction of milk processing plant, construction of fish ponds, construction of hay bank with 2000kgs of pasture seeds but the funds were used for supply of AI kits, liquid nitrogen and bull semen. This contravenes sec 154(1)(b) of PFMA 2012	8.75	312.01	2.8

	<p>Unbudgeted expenditure/Improper charge on public funds</p> <p>(Agreement entered between the County Government and the District Livestock Management Committee (DLMC) required the CG to remit 25% of revenue collected from livestock auctioning during the month DLMC; The amount paid to DLMC was not approved by the CA and there was no provision for it in the approved budget for FY 2015/16; no expenditure returns showing that the transferred money was offset against auction proceeds.</p>	2.46	312.01	0.8
Ministry of Education and ICT	<p>Bursaries disbursed without supporting applications</p> <p>(No list of applicants provided; the criteria for the award nor provided; bursaries awarded at the ward level and no allocations appear to have been made to secondary schools.</p>	5.89	398.42	1.5
	<p>Unbudgeted Expenditure/Irregular allocation of public funds</p> <p>(funds re-allocated without authority; funds used for purchase of 37,500 sanitary towels and smart phones; there was no budget allocated for that expenditure during the year period under review.</p>	3.74	398.42	0.9

Source: Author's Compilation from OAG Reports, FY 2015/16

2.3 Recurrent Audit Issues – FY 2015/16 – FY 2017/18

For purposes of this analysis, recurrent audit issue refers to either the audit issues that the Auditor General raised repeatedly over the years under review or the issues that are similar or related in nature and they have been flagged out by the auditor General in each year. The table below summarizes the 5 major recurrent audit issues (Doubtful Expenditure; Outstanding unreconciled Imprests; Pending Bills; Lack of Value for Money; and Bloated Wage Bill) together with the corresponding amounts involved in each year;

Queried Issue	Amount involved (Kshs. millions)		
	FY 2015/16	FY 2-016/17	FY 2017/18
Doubtful Expenditure	<ul style="list-style-type: none"> No supporting documents for expenditure on Scholarship and other Education benefits - Kshs. 15.05 Millions. Documents attached to the payment voucher indicated that the requisition was signed long after electrical materials were delivered to the Health Ministry. - Kshs. 1.50 Millions 	<ol style="list-style-type: none"> No supporting documents for the Kshs. 1.66 Million reportedly spent by the County Treasury as meal and subsistence allowance for 243 staff on team building exercise in Nakuru. Kshs 12 Million out of the total contract value of Kshs. 20 Million paid for the construction of a Casualty Block at Marigat Sub-County Hospital that has since stalled 24 months after the expiry of the contract period. <ul style="list-style-type: none"> This Contract was signed 11 days after the commencement of the project The Bill of Quantities (BQs) submitted by the contractor had multiple alteration on the unit prices and the contract sum had not been countersigned at the time of opening the tender by the tendering committee. It is unclear whether the figures reflected in the respondent's bid were authentic and that it represented true state of affairs as at the time they were submitted. Therefore, inconsistencies observed thus makes the whole contract doubtful 	<ol style="list-style-type: none"> Kshs 0.4 Million expended on parcel of land LN. Baringo/ Ravine/102/71 measuring 0.092 Ha. <ul style="list-style-type: none"> No land title deed was produced for audit verification despite land having been procured and paid for Kshs. 2.07 Million was paid for supply of spare parts for county grader (GKA 561A). <ul style="list-style-type: none"> No issue voucher was produced for audit to confirm receipt of the items by the officer; No job card was produced for audit verification to confirm the items issued from the store were fitted into the grader; Physical verification conducted by the OAG at the Min of Transport and Infrastructure yard revealed that the grader was still grounded and non-functional despite the procurement of the spare parts.

Queried Issue	Amount involved (Kshs. millions)		
	FY 2015/16	FY 2-016/17	FY 2017/18
			<p>3. Kshs. 4 Million was spent on purchase of Certified Seeds, Breeding Stock and Live Animals for distribution to the six counties.</p> <p>Why the expenditure was doubtful;</p> <ul style="list-style-type: none"> • The inspection and acceptance reports were signed before the actual delivery was done • There was no documentary evidence provided for audit verification to show the number of livestock farmers and animals owned by each before procurement was undertaken • It remains unclear how the number of bales of hay procured were determined • It was not possible to establish whether the hay was received by the intended beneficiaries
Outstanding Unreconciled Imprests	<ul style="list-style-type: none"> • Kshs. 5.70 Million; Some officers were issued with multiple imprest while others had long outstanding Imprests for unclear reasons 	<ul style="list-style-type: none"> • <u>Understated</u> outstanding Imprests amounting to Kshs. 21.63 Million: The statements of assets indicated that the outstanding imprest was Kshs 2.59 million while the GOK IFMIS imprest register showed that the outstanding imprest during the period under review was Kshs. 23.63 million 	<ul style="list-style-type: none"> • Unexplained/unreconciled overstated imprest balance worth Kshs. 1.94 Million: The financial statements showed that the imprest balances for the period under review were Kshs. 3.53 Million. This differs with the balances in the imprest register (Kshs. 1.59Million)
Pending Bills	<ul style="list-style-type: none"> • Accumulated pending bills amounted to Kshs. 184.75 Million. 	<ul style="list-style-type: none"> • The total pending bills for recurrent and development votes amounted to Kshs. 78.84 million. • Out of the total pending bills, Kshs 47.25 million (59.9%) was development pending bills. 	<ul style="list-style-type: none"> • The total pending bills ought to be Kshs. 181.43 Million therefore the disclosed pending bills were understated by Kshs. 84.08 Million.

Queried Issue	Amount involved (Kshs. millions)		
	FY 2015/16	FY 2-016/17	FY 2017/18
	<ul style="list-style-type: none"> No supporting documents (pending bills schedule, invoices, demand notices or suppliers' certificates of completion, local purchase orders, delivery notes and or contracts) were not provided to the OAG for audit verification 	<ul style="list-style-type: none"> A review of the OAG reports shows that the county still has pending bills dating to as far as FY 2013/14. The report shows that the contracts amounting to Kshs 14.97 million were awarded in FY 2013/14, FY 2014/15 and FY 2015/16 but are yet to be completed and paid for. 	<ul style="list-style-type: none"> The total pending bills ought to be Kshs. 181.43 Million therefore the disclosed pending bills were understated by Kshs. 84.08 Million Pending bills recorded in the financial statements is Kshs. 80.73 Million. This does not include the pending bills on account of supply of medical supplies from KEMSA of Kshs. 51.86Million and legal fees of Kshs. 32.22 Million
Revenue-related issues	<ul style="list-style-type: none"> Revenue – Underperformance in revenue collection by 20.6 Million Unreconciled financial statement and statement of revenue results in a variance of 2.49 Million Underestimation of land-rate and plot rent revenue Underestimation of land rate and plot rent revenue based on the 2009 valuation roll by Kshs. 18.1 Million Uncollected revenue and undeclared revenue in the public health department – by 21Million Under-collection (underperformance) of Marigat AMS and KATC estimated at Kshs.10.3 Million 	<ul style="list-style-type: none"> Under-collection of Revenue County Own Generated Receipts underperformed by 14.7% (Target 330 million; actual 281.6 million). No satisfactory explanation given Single Business Permit - arrears of Kshs. 0.597 million could not be verified since no schedule were provided to the OAG for verification. Only Kshs. 32.37 million (19.1%) of the projected Kshs. 40.02 million SBP was realized. Environment and Conservancy –The County failed to realize its full potential. Projected as per approved budget was 67.82 million; actual: 62.32 million – underperformance of 8.1% of the budgeted amount. 	Not indicated

Queried Issue	Amount involved (Kshs. millions)		
	FY 2015/16	FY 2-016/17	FY 2017/18
<ul style="list-style-type: none"> Weak revenue management control– (Lack of register on building plan approval application, lack of land subdivision support doc, unavailability of land mutation forms at govt. offices) Inaccuracies in financial statements (discrepancies between financial statement and cash book –IFMIS) 	<ul style="list-style-type: none"> Plot Rates/Rent - No satisfactory explanation given for the underperformance in revenue collection (only 12.92 million of the targeted 21.78 million was realized) <p>Outstanding Revenue</p> <p>Arrears - Plot rates and Rent</p> <ul style="list-style-type: none"> The land register indicates that Kshs. 92.8 million remains uncollected as at the end of FY 2016/17. The County continues to use outdated Land Valuation Roll of 2009 as a basis for collecting plot rates and rent. This subjects the county to revenue loss given that this denies the county the ability maximize on its full potential for this revenue stream (plot rates and rent) However, there was no satisfactory explanation provided to the OAG for the failure of the county to collect the arrears or why an obsolete valuation roll is still in use. In addition, it was not demonstrated by the CEC Member for Finance that the county was unable to collect the outstanding revenue arrears as required by the provisions of section 63 (2) of the PFM Regulations, 2015⁶. 		

⁶Section 63(2) of the Public Finance Management (County Governments) Regulations, 2015 requires an accounting officer or receiver of revenue who experiences difficulty in collecting revenues due to the county government to report the circumstances to the County Executive Committee Member without delay.

Queried Issue	Amount involved (Kshs. millions)		
	FY 2015/16	FY 2-016/17	FY 2017/18
Other Expenditure-related issues	<ul style="list-style-type: none"> Breach of financial reporting requirements- failure to disclose receivable amounting Kshs. 64.75Million Completeness of the assets and liabilities – 1.299 Billion and 184.7 Million (information on assets acquired , assets inherited missing) 	<ul style="list-style-type: none"> Not indicated 	<ul style="list-style-type: none"> Unreconciled summary of fixed asset - Inconsistency between the ‘statement of receipt and payment’ and fixed asset register’ – variance of Kshs. 743.9 M Inaccurate Bank reconciliation statement - Revenue Collection Account and Reconciled cash book Statement shows a variance of Kshs. 15,300 thus also affecting the entire statement of assets and liabilities
Bloated Wage Bill	<ul style="list-style-type: none"> Kshs. 2.16 Billion was spent on compensation of employees representing 45% of the total county revenue way above the 35% limit set by the PFM Regulation, 2015. No explanation provided for incurring expenditure in excess of the limit set by the law 	<ul style="list-style-type: none"> Kshs. 2.28 Billion was spent on compensation of employees representing 48% of the total county revenue way above the 35% limit set by the PFM Regulation, 2015. No explanation provided for incurring expenditure in excess of the limit set by the law 	<ul style="list-style-type: none"> Although this was not among the basis for the Auditor’s opinion in FY 2017/18, it remains a critical issue worth taking note given that in the FY 2015/16 and FY 2016/17 it formed the basis for the opinion and still the situation wasn’t mitigated. Kshs. 2. 75 Billion was spent on compensation of employees representing 48% of the total county revenue way above the 35% limit set by the PFM Regulation, 2015. Wage bill on the rise despite the total workforce reducing from 4,136 in FY 2016/17 to 4,013 in FY 2017/18 No evidence that the CEC member for Finance initiated efforts to mitigate the runaway wage bill

Queried Issue	Amount involved (Kshs. millions)		
	FY 2015/16	FY 2-016/17	FY 2017/18
<p>Non-remittance of Statutory deductions (This has been analyzed despite not being part of the basis for qualification of the financial statements. These unremitted deductions have the potential of becoming pending bills or bad debts)</p>	Not indicated	Kshs 46.64 Millions in respect of PAYE, NSSF, LAPFUND and LAPTRUST were not remitted despite having been deducted	The county deducted Kshs. 49.09 Million being remittances for LAPFUND and LAPTRUST, SACCO loans, SACCO share contributions, , Training levy, Union dues, and Insurance premium payments
No Value for Money	<p>1. Delayed Implementation of Projects: The County in FY 2014/15 awarded contracts valued Kshs. 207.5 Million for construction of dispensaries, maternity and general wards but were not implemented within the stipulated timelines.</p> <p><i>Why no VjM;</i></p> <ul style="list-style-type: none"> All these 32 projects are incomplete with some having not taken off The project costs are likely to go up do to inflationary pressures <p>2. The County paid Kshs. 1.1 Million (out of the contract value of Kshs. 4.1 million) for the construction of Ewalel Chapchap Ward Offices which has since been.</p> <p><i>Why no VjM;</i></p> <ul style="list-style-type: none"> The contractor deserted the site with 30% of the work done The project has since been abandoned 	<p>1. Irregular Expenditure - Kshs 1.5 Million spent on installation of electricity at Mogotio Sub-County Hospital yet audit verification undertaken showed that no electricity had been supplied and no explanation was provided to the OAG for failure by KPLC to supply electricity one year after the payment was made.</p> <ul style="list-style-type: none"> There was no estimates/ invoices from KPLC showing the specific works to be undertaken by KPLC to cover the corresponding amounts of Kshs. 1.5 Million paid There was no acknowledgment note/ receipt and hence it remains impossible to establish if indeed the amount was paid to KPLC 	<p>1. Abandoned Eldama Ravine Milk Processing Plant: The project was abandoned 8 months after commencement but there was no explanation provided as to why the contractor abandoned the project. At the time of the abandonment the work done was quantified and valued at Kshs. 9.8 Million out of which the county paid Kshs.3.2 Million.</p> <p><i>Why there was no Value for Money;</i></p> <ul style="list-style-type: none"> The process was abandoned and contract terminated Kshs. 3.2 Million was paid even after the contract was terminated and the was no justifiable explanation provide on why the payment was made

Queried Issue	Amount involved (Kshs. millions)		
	FY 2015/16	FY 2-016/17	FY 2017/18
		<p>2. Incomplete works at Mogotio Sub-County Hospital – Kshs. 2.4 Million out of the total contract value of Kshs.3.9 Million was paid for the construction of a Septic tank at Mogotio Sub-County Hospital for a 12-weeks contract but physical audit verification showed that the project had not been completed and the contractor was not on site despite the expiry of the contract period by three and half months.</p> <ul style="list-style-type: none"> • There was no evidence for request of extension of contract period made available for audit review • No evidence has been availed to the OAG in form of site minutes to confirm resumption or explained how the contractor took possession of the site outside the contract period <p>3. Kshs 15.4 Million spent on preparation of Baringo County Spatial Development Plan phase II. The contact value was Kshs 26.9 Million but even after 57% of the contract value had been paid and 3 months extension period granted the project remained incomplete.</p> <ul style="list-style-type: none"> • In addition, the Geospatial Information System Laboratory which was to disseminate the output from the spatial plan is yet to be established therefore it remains unclear why the county initiated the project as it is of no value without the GIS laboratory. <p>4. Kshs 12 Million out of the total contract value of Kshs. 20 Million paid for the construction of a Casualty Block at Marigat Sub-County Hospital that remains incomplete 24 months after the expiry of the contract period</p>	<ul style="list-style-type: none"> • Audit verifications by the OAG showed that there were no activities going on site and even the material (sand and cement valued at Kshs. 170,000) reported to be on site were missing. <p>2. Kshs. 16.8 Million (out of the contract value of Kshs17.5 Million) was paid for an abandoned and incomplete Kabarnet Stadium.</p> <p><i>Why no VfM;</i></p> <ul style="list-style-type: none"> • Kshs. 3.1 Million (out of the Kshs 16.8Million paid) was paid long after the expiry of the contract period. • No evidence was produced for audit verification that the contractor sought and obtained extension of the contract period • The stadium is incomplete despite the expiry of the contract period • No contractor on site and no materials or workers at the site to show that work is in progress • BQs provided for the two goal posts works at valued at Kshs. 186,000 but none of the goal posts is on site • The projects seems to be abandoned given that there are no efforts by the county to complete is since the expiry period <p>3. Kshs. 6.67 Million lost due to irregular procurement of Human Medicine at inflated prices</p> <ul style="list-style-type: none"> • Selection of the bidder with the highest cost out of the 17 prequalified firms saw the Ministry of Health pay Kshs. 13.48 Million instead of Kshs. 6.81 Million had the medicines been procured from the lowest bidder.

Queried Issue	Amount involved (Kshs. millions)		
	FY 2015/16	FY 2-016/17	FY 2017/18
		<p>5. Kshs. 1.4 Million out of the total contract of Kshs6.7 Million already paid for the construction and completion of a Mortuary block at the Marigat Sub-County Hospital that has since stalled.</p> <ul style="list-style-type: none"> The site visit conducted by the OAG 22 months after the contract period had elapsed revealed that only 35% of the work had been done and the contractor was not on site <p>6. High Roll over Projects: As at the end of FY 206/17 the county had 255 roll over or ongoing projects worth Kshs 943.5 Million</p> <ul style="list-style-type: none"> The allocations for roll over projects was Kshs. 943.5 Million but this differed with the ledger balances of Kshs. 874.8 Million. The variance (Kshs. 68.7 Million) remained unreconciled. The fact that the county had 255 roll over projects is a clear breach of sec 29 of the PFM Regulations, 2015 that requires the county government to only include in the budget projects that can be implemented within the available resources The annual Increase in roll over (e.g. In FY 2016/17 it rose by Kshs. 50.8Million) may lead to high debts and unfinished projects which will have to be carried to the subsequent fiscal years. 3 projects valued at Kshs. 6 Million (out of the 255 roll over projects) were found to have stalled. (no explanation on when they will be completed or how they will be revived) 	<p>4. Delayed Implementation of Projects:</p> <ul style="list-style-type: none"> The value of roll over projects stood at Kshs. 1,722.6 Million Project Status report shows some projects have been rolled over since FY 2013/14 and no explanation on why they have not been completed Current status of the project (whether in progress, stalled, abandoned or completed awaiting commissioning) not availed The reported figure of roll over projects (Kshs. 1,722.6 Million) was at variance with the computed figure of Kshs 1,792.3 Million (the variance was never explained nor reconciled) Reasons for continued roll over not provided <p>5. Unsupported Expenditure: Kshs. 1.95 Million was paid to a contractor for Supply of assorted seedlings, exotic and indigenous tree in Eldama Ravine, Mogotio and Kabarnet sub-counties</p> <ul style="list-style-type: none"> No stores records were availed to confirm delivery of the seedlings by the supplier No evidence provided to indicate that the beneficiaries received the seedlings The distribution schedule produced for audits but still it was not possible to confirm the quantities delivered in the absence of the store records. <p>In view of all these observations by the OAG it remained unclear whether the items that were paid fore were supplied and taken on charge</p>

Queried Issue	Amount involved (Kshs. millions)		
	FY 2015/16	FY 2-016/17	FY 2017/18
			<p>6. Unsustainable Road Maintenance - Kipngorom – Sirwa road: Kshs 3.8 Million out of the total contract value of 4.1 Million was paid as payment for maintenance of the 13 Km Kipngorom-Sirwa road.</p> <ul style="list-style-type: none"> Physical audit verification showed that the road was in a poor state with potholes covering the entire section that had been repaired and paid for The road was previously maintained by KERRA before the county took it over and it appears the county is unable to restore the road to a motorable condition hence the sustainability of the maintenance of the road remains doubtful. <p>7. Unaccounted for Expenditure –Solar Lamps: The Min of Environment and Natural Resources bought 1,050 solar lamps that were to be distributed to candidates hailing from poor families.</p> <ul style="list-style-type: none"> The Ministry paid Kshs. 1.96 Million for the solar lamps but there was no supporting documents (distribution list and acknowledgements documents from the beneficiaries) produced for audit verification It is not clear whether the lamps reached the intended beneficiaries

Queried Issue	Amount involved (Kshs. millions)		
	FY 2015/16	FY 2-016/17	FY 2017/18
			<p>8. Unsustainable Project – Rosoga Irrigation Project: The County paid Kshs. 1.66 Million out of the total contract value of Kshs. 1.77 Million for the construction of conveyance for Rosoga Irrigation Scheme Phase II. The project was completed and a certificate of completion issued to the contractor but the project is not in use and has also been vandalized by the community.</p> <ul style="list-style-type: none"> • Vandalism could imply that that the community were either not sensitized on the importance of the project or the project was not a priority to them • The project was to rely on piped water for irrigation, this is untenable given that an irrigation scheme can hardly run on piped water <p><i>Why no VFM;</i></p> <ul style="list-style-type: none"> • Project not in use despite its completion • Parts of the projects vandalized • Project relies on piped water that is unsustainable <p>9. Stalled Project- Barwessa Slaughter House: The County paid Kshs 8.7 Million for a projected that stalled 3 years ago. This payment was made during the FY 2017/18 despite the contract period having expired 3 years ago.</p> <p><i>Why no VFM;</i></p> <p>The project stalled over three years ago</p> <ul style="list-style-type: none"> • Payment made outside contract period

Queried Issue	Amount involved (Kshs. millions)		
	FY 2015/16	FY 2-016/17	FY 2017/18
			<ul style="list-style-type: none"> • No documentary evidence produced for audit verification to show that the contractor had sought for an extension of the contract period and granted • The contract has not been terminated for breach of agreement • The contractor is not on site, no work going on and yet the project has not been abandoned

Source: Author's compilation from OAG's Reports – Various Issues

3.0 Implication of the Audit Issues on the Youth

According to the Baringo County Integrated Plan 2018-2022 the youth in Baringo County constitutes more than half of the population. This category of the county's population are the hard hit when it comes to unemployment. Therefore any wrongful or irregular use of public funds affects them greatly given that majority of them depend on the county government to create employment opportunities for them.

As at the end of FY 2017/18 the value of delayed project implementation stood at Kshs. 1.72 billion. In addition, there are stalled and incomplete projects which had they been implemented to completion, they would help in creating employment opportunities for the youth, majority of whom are jobless.

3.1 Opportunity Cost of the queried amounts

Doubtful Expenditure: An analysis of the audit reports for the period shows that the doubtful expenditure for the county executive amounted to Kshs 36.68 million (Kshs. 16.55 Million in FY 2015/16, Kshs. 13.66 Million in FY 2016/17 and Kshs. 6.47 Million in FY 2017/18).

According to the Baringo CIDP 2013-2017, the County Government started a Youth Enterprise Development Fund scheme implemented at the Sub County Level. The fund was intended to empower youth groups start up or upgrade youth enterprises. The Government had planned to spend Kshs. 30 million for the fund during its 5 years of implementation. The doubtful expenditure amounting to Kshs 36.68 million would have benefitted 734 youth groups spread across all the sub counties if each of the beneficiary were to be awarded the maximum loan limit of Kshs 50,000.

Abandoned Eldama Ravine Milk Processing Plant: The County spent Kshs 3.2 Million on an abandoned project implying no value for money. As a way of reducing the prevalence of Gender Based Violence (GBV) the county plans to spend Kshs 4 million over a period of 5 years to train 4,600 people across all the sub-counties. With Kshs. 3.2 Million that was spent an abandoned project, the county can train 3,680 people at once thus achieving 80 per cent of the project objective at once.

High roll over Projects: The accumulated roll over cost for 255 projects as at the end of FY 2017/18 was Kshs. 1,722.6 Million. Majority of these projects are incomplete, stalled or on-going. This amount is enough to employ 23 youths for three months at a cost of Kshs. 25,000, the internship allowance set pursuant to the Public Service Commission policy on Internship allowance.

4.0 Conclusion and Recommendations

This study revealed that during the period under review, Baringo County audit issues are largely related to poor management of financial records – most of the expenditure that are doubtful are either lacking supporting documentation or were irregular in nature. The analysis also found out that a number of audit issues raised by the OAG keep on recurring, a clear manifestation of the fact that the County Assembly which is obligated to oversight the usage of public funds has not been discharging that mandate effectively. One would expect the County Assembly through the Baringo County Public Accounts and Investment Committee together with the Baringo County Treasury to take action on the county departments and agencies which have been cited by the OAG.

In addition, the Baringo County Assembly through the Budget and Appropriation Committee should take decisive action against the entities that have repeatedly applied public funds inappropriately or illegally.

The following are the recommendations arising from the analysis;

1. The County Government should fast track the updating of the Valuation Roll through the enactment and implementation of the Baringo County Rating and Valuation law to enhance local revenue collection - This will help in improving the underperformance of land-related revenue due to usage of an old valuation roll that dates back to 2009. This will ultimately help in addressing the underperformance of local revenue that has been cited by the OAG as one of the basis for qualification of financial statements in both FY 2015/16 and 2016/17.
2. The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.
3. The County Public Service Board should develop an optimal staffing structure, devise and implement strategies to manage the bloated wage bill. In addition, the CEC Member for Finance should cause a report on how the treasury intends to deal with the bloated wage bill.
4. The County Treasury should put in place measures to ensure that only expenditure items that can be met in the medium term framework are included in the budget to avoid continued increase in the roll over projects.
5. The County Treasury to come up with comprehensive measures aimed at addressing both the pending bills and county debts

6. The continued recurrence of some audit issues shows that that the county's PFM system is still lacking strong internal control system therefore there is need for the County Treasury to ensure that all the spending units have the capacity to spend and undertake financial reporting before they are allocated funds
7. The County Treasury to ensure that all county entities comply with financial laws and regulations whenever implementing their budgets
8. The County Assembly should effect harsh sanctions against all the county entities cited in the report
9. The County treasury should ensure that all statutory deductions are remitted to the relevant bodies to avoid attracting litigations and penalties arising from non-remittance.

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