

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF SAMBURU FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of County Assembly of Samburu set out on pages 1 to 20, which comprise the statement of financial assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and statements of comparison of budget and actual amounts –recurrent, development and 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of County Assembly of Samburu as at 30 June 2018 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 the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Inaccuracy of Financial Statements

1.1 Unbalanced Trial Balance

The trial balance as at 30 June, 2018 reflects total debits and credits of Kshs.618,918,554 and Kshs.592,509,484, respectively resulting in unexplained and unsupported suspense of Kshs.26,409,070.

1.2 Statement of Financial Assets and Liabilities

The statement of financial assets and liabilities as at 30 June, 2018 reflects total financial assets balance of Kshs. 150,376,430.75 and net financial position of Kshs.123,649,224.40 resulting in unexplained variance of Kshs.26,727,206.35. Further, the fund balance brought forward has been stated incorrectly as Kshs.135,000,000 instead of the previous year's audited balance of Kshs. 9,856,382. Similarly, the resultant variance of Kshs.125,143,618 has not been reconciled or explained.

Consequently, the accuracy and completeness of the statement of financial assets and liabilities as at 30 June 2018 cannot be confirmed.

1.3 Statement of Cash Flows

The statement of cash flows for the year ended 30 June ,2018 reflects cash and cash equivalents balance at the end of the year of Kshs.6,624,177 while the statement of financial assets reflects a balance of Kshs.1,530,747.75 as at 30 June 2018.

Further, the amount reflected in the statement of cash flows in respect of use of goods and services of Kshs.151,235,553.15 is at variance with the actual expenditure of Kshs.325,285,221.95 reflected in the statement of receipts and payments.

In addition, the increase in receivables during the year has been wrongly stated at Kshs.13,527,548 instead of the computed balance of Kshs.145,613,478.

In the foregoing, the accuracy and completeness of the statement of cash flows cannot be confirmed.

2. Variance Between Financial Statement and IFMIS Figures

2.1 Statement of Receipts and Payments

The statements of receipts and payments for the year ended 30 June 2018 reflects total payments of Kshs.603,860,259.60. However, analysis of the IFMIS reports revealed that total payments amounted to Kshs.606,901,919.60 in the year under review, resulting in unexplained overall variance of Kshs.3,041,660 as follows:

Item Description	Amounts as per IFMIS (Kshs)	Financial Statements Figures (Kshs)	Variance (Kshs)
Payments			
Compensation of Employees	223,022,073.25	221,324,361.25	1,697,712.00
Use of Goods and Services	154,923,768.15	325,285,221.95	(170,361,453.80)
Social Security Benefits	8,759,384.40	8,759,384.40	0
Acquisition of Assets	186,532,952.00	48,491,292.00	138,041,660.00
Other Payments	33,663,741.80	0	33,663,741.80
Total	606,901,919.60	603,860,259.60	3,041,660.00

The above variances have not been explained or reconciled.

2.2 Statement of Assets and Liabilities

The balances reflected in the statement of financial assets and liabilities as at 30 June 2018 differs with IFMIS report balances as summarized below:

Item description	IFMIS Figures (Kshs)	Financial Statements Figures (Kshs)	Variance (Kshs)
Financial Assets			

Item description	IFMIS Figures (Kshs)	Financial Statements Figures (Kshs)	Variance (Kshs)
Bank Balances	(764,332,685.45)	1,530,747.75	(765,863,433.20)
Cash Balances	495,270,554.65	-	495,270,554.65
Accounts Receivables - Outstanding Imprest And Clearance Accounts	13,527,548.00	148,845,683.00	(135,318,135.00)
Total Financial Assets	(255,534,582.80)	150,376,430.75	(405,911,013.55)
Financial Liabilities			
Accounts Payables - Deposits and Retentions	(274,653,563.10)	-	(274,653,563.10)
Fund Balance Brought forward	31,581,459.45	135,000,000.00	(103,418,540.55)
Surplus/deficit For The Year	(14,392,435.60)	(11,350,775.60)	(3,041,660.00)
Net Financial Position	(257,464,539.25)	123,649,224.40	(381,113,763.65)

The above differences have not been explained or reconciled.

3. Unaccounted for Ward Office Expenses

Included in the compensation of employees' expenditure of Kshs.221,324,361.25 shown in the financial statements is an amount of Kshs.2,009,597 paid into ward office managers' personal bank accounts for which no supporting documents were provided for audit review. The ward expenses also include monthly office rent of Kshs.10,000 per ward. The rent was however paid into ward office managers' bank accounts instead of the landlords. In addition, no acknowledgement or receipts for the amount paid were provided for audit review.

As a result, the validity and propriety of the ward offices expenditure of Kshs.2,009,597 for the year ended 30 June 2018 cannot be confirmed.

4. Unsupported Bank Balances

The statement of financial assets and liabilities reflects bank balances of Kshs.1,530,747.75 as at 30 June 2018. However, the statement of cash flows shows closing balance of Kshs. 6,624,177, resulting in an unexplained variance of Kshs.5,093,429.25.

Further, relevant cashbooks, monthly bank reconciliation statements for recurrent and development bank accounts and bank statements for development bank account at the CBK were not presented for audit verification.

Consequently, the accuracy and validity of the bank balances of Kshs.1,530,747.75 as at 30 June 2018 cannot be confirmed.

5. Accounts Receivable

The statement of financial assets and liabilities also reflects accounts receivables balance of Kshs.148,845,683 as at 30 June 2018 and as further disclosed in Note 14 to the financial statements comprise outstanding imprests of Kshs.10,804,023 and outstanding loans to Members of the County Assembly amounting to Kshs.138,041,660. However, a review of records in respect of the balance revealed the following anomalies:

- (i) According to IFMIS extract of outstanding imprests, the balance as at 30 June 2018 was Kshs.21,973,198 against the disclosed figure of Kshs.10,804,023, resulting in unexplained difference of Kshs.11,169,175.
- (ii) The outstanding loans to the Members of the County Assembly of Kshs.138,041,660 were not supported by detailed schedules/ledger and explanatory notes to financial statements.

In view of the foregoing, the accuracy and completeness of accounts receivable balance of Kshs.148,845,683 reflected in the financial statements as at 30 June 2018 cannot be ascertained.

6. Pending Bills

The financial statements of the County Assembly at Annex I indicate that bills amounting to Kshs.23,747,170 that were incurred during the year under review were not settled but carried forward to 2018/2019. Had the bills been paid and the expenditure charged to the accounts for the year under review, the deficit of Kshs.11,350,775.60 reflected in the statement of receipts and payments would have increased to Kshs.35,097,945.60, an indication that the management entered into financial commitments for which no resources were available.

Further, failure to settle bills during the year to which they relate distorts the financial statements for that year and adversely affects the provisions for the subsequent year to which they have to be charged.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Assembly of Samburu in accordance with ISSAI 30 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 adverse 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. Except for the matters discussed in the

Basis for Adverse Opinion section of my report, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1. Budget Performance

During the year under review, the County Assembly was allocated an amount of Kshs. 613,024,700 for recurrent and development expenditure out of which payments totalling Kshs. 603,860,259.60 were made, resulting in an overall under absorption of budget by Kshs. 9,164,440.40. However, a review of budget execution revealed that the County Assembly overspent by Kshs. 60,721,096 on nine items as shown below:

Component	Actual Expenditure 2017/2018 Kshs.	Approved Budget 2017/2018 Kshs.	Over Expenditure Kshs.
Utilities, Supplies & Services	2,418,861	739,901	1,678,960
Domestic Travel and Subsistence	39,898,537	38,338,323	1,560,214
Training Expenses	14,395,091	14,308,091	87,000
System Required Expenses	33,663,742	0	33,663,742
Fuel, Oil and Lubricants	5,839,689	5,500,000	339,689
Hospitality, Supplies and Services	5,340,791	4,885,770	455,021
Specialized materials and services	2,031,243	0	2,031,243
Routine Maintenance - Vehicles & Other Transport Equipment	3,413,935	1,000,000	2,413,935
Construction of Buildings	48,491,292	30,000,000	18,491,292
Total	155,493,181	94,772,085	60,721,096

The County Assembly management did not, however, present for audit review any approval or supplementary budget to justify the over expenditure. In view of the foregoing, the management did not comply with approved budget provisions for the year under review as appropriated by the County Assembly.

2. Progress on Follow Up of Previous Issues

Further, the financial statements for the year ended 30 June ,2018 prepared and submitted for audit did not capture issues raised in the Auditor-General's report for the previous year as required under the guidelines provided by the Public Sector Accounting Standards Board (PSASB) on the progress on follow up of the Auditor-General's recommendations. No explanation has been provided for this omission.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Failure to Deduct PAYE on Taxable Benefits

A review of records maintained by the County Assembly revealed that the Speaker is entitled to house benefit, personal staff paid by the County Assembly and a full time car assigned to him for official duties. However, examination of work tickets indicate that the vehicle is nonetheless used for private activities.

However, the benefits were not taxed, and therefore PAYE due on the fringe benefits provided by the County Assembly to the Speaker was not paid to KRA as follows:

Benefit	Period	Taxable Benefit – Kshs
House Benefit per Month	Up to June 2018	75,000
Staff Benefit per month	December 2017 to June 2018	100,000
Car Benefit- at cost	December 2017 to June 2018	12,615,448

Failure to deduct and remit taxes due on the benefits may attract heavy penalties and interest leading to loss of public funds.

2. Appointment of External Members of the County Assembly Service Board

During the year under review, the County Assembly of Samburu appointed two persons to the County Assembly Service Board (CASB). However, a review of their records revealed that one of the Board Members had work experience of only nine years, of which seven years were in private sector contrary to the required minimum of ten years' experience in public affairs as stipulated in Section 12(3) of the County Governments Act, 2012.

Further, the other Board Member is a full time principal of secondary school and his availability to serve the County Assembly on a full time basis is doubtful. The two Board Members were each drawing monthly remuneration in form of a retainer fee of Kshs.145,000, transport allowance of Kshs.20,000, telephone allowance of Kshs.4,000 and sitting allowance of Kshs.8,000 per sitting effective December 2017.

The County Assembly management has not given satisfactory explanation for the failure to adhere to the law in appointing members of the Board.

3. Recruitment of Ward Offices staff and Staff to the Speaker

The County Assembly recruited one hundred and thirty ward offices staff and eight staff to the speaker in line with County Assembly Service Board Letter Ref. No.109/CASB/SBU/VOL.1/12/2017 authorizing the recruitment of ward managers, office assistants, secretaries, security officers, drivers and personal assistants for Members of the County Assembly and the Speaker. However, the following unsatisfactory observations have been made:

- i. There was no advertisement for ward office staff and therefore the requirements and competencies for the posts cannot be confirmed.
- ii. Records relating to vacant posts such as applications, shortlisting of candidates, interviews conducted and selection of successful candidates were not presented for audit verification.

In view of the foregoing, it has not been possible to confirm that the recruitment of ward office staff and those assigned to the Speaker was done in a transparent and competitive manner and compliance with Section 65 the County Governments Act, 2012 which provides for open and transparent recruitment of public servants.

4. Non-Compliance with Ethnic Diversity and Gender Balance

During the year under review, 88% of the County Assembly staff were from one dominant ethnic community contrary to the requirements of Section 65 (e) of the County Government Act, 2012 which requires that at least 30% of the employees be from other ethnic communities. Further, on gender, only 26% of the positions were occupied by female employees.

5. Incomplete Refurbishment of County Assembly Premises

During the year under review, a payment of Kshs.2,325,402 was made to a contractor for refurbishment of County Assembly premises. A review of bid documents dated 29 March 2016 revealed that the tender was awarded to the contractor at a contract sum of Kshs.3,721,521. According to payment voucher No.307 of 24 June 2018 and certificate of works, the scope included supply and installation of plumbing items for toilets, supply of fixing of kitchen cabinets and supply of materials and refurbishment of the County Assembly gate.

However, a physical verification revealed incomplete works as supply and installation of plumbing items for toilets and supply and fixing of kitchen cabinets were not done. Further, it is not clear why the expenditure was charged on non-voted item code described as "system required expenses" under use of goods and services instead of the appropriate item in the approved budget.

In the circumstances, the objective of refurbishment, was not achieved and the County Assembly did not obtain value for money on this expenditure.

6. Delayed Completion of County Assembly Chambers

As previously reported, the County Assembly awarded Contract No. CAS/PROC/046/2014-15 for the construction of the Assembly Chambers to a construction firm at a contract sum of Kshs.262,098,210. The duration of the contract was seventy-eight weeks with the commencement date of 9 February 2017.

Physical verification of the project on 6 October 2018 revealed that the construction works had been done up to lintel level which is approximately 40% completion level. The project is behind schedule since it had taken, as of that date, eighty-eight weeks since the project began and the contractor was not on site.

The contractor had been paid a total of Kshs.42,325,400 as at 30 June 2018. It appears that the project has stalled which may lead to cost escalation. No explanation has been provided for the inadequate handling of the project which may lead to waste of public funds if the contractor fails to continue with the works.

7. Procurement of Goods and Services from Non-Prequalified Suppliers

Available records revealed that during the year under review, the County Assembly spent a total of Kshs. 8,102,983 on procurement of various goods and services from non-prequalified suppliers contrary to Section 95(1) of the Public Procurement and Disposal Act, 2015. The Act requires that a Public Procuring entity shall invite tenders from only the approved persons who have been pre-qualified. It has not been explained how these suppliers were identified, approved and awarded the contracts by the County Assembly. Consequently, the management was in breach of the law.

8. Irregularities in Use of Goods and Services

8.1 Unsupported Domestic Travel and Subsistence Expenses

Disclosed in Note 5 to the financial statements are domestic travel and subsistence expenses of Kshs.39,898,536.50. Included in this item is an amount of Kshs.8,536,438 which was not supported by relevant documentary evidence such as invitation letters, bus tickets or work tickets for journeys made, seminars attended and signed payment schedules for allowances received.

Consequently, the validity of the expenditure of Kshs.8,536,438 in respect of domestic travel and subsistence cannot be confirmed.

8.2 Foreign Travel to London by the Speaker

A review of records provided for audit revealed that the County Assembly Speaker was paid a total of Kshs.426,832 through Imprest warrant No.2523181 being foreign travel and subsistence allowance while attending a world travel markets conference in London UK between 7 and 15 November 2017. According to the invitation letter and programme attached to the payment voucher, the conference was scheduled to take place from 6 to 8 November 2017. However, it has not been explained why the speaker was paid for eight days instead of three days leading to excess irregular payment.

8.3 Unsupported Imprest to Facilitate Public Participation on Budget Estimates

According to the records an expenditure of Kshs.1,500,000 was incurred by the County Assembly during budget public participation forums held in the County. Imprest was issued through imprest warrant No.3315025 of 30 May 2018 to facilitate the payment. A review of documentation revealed that out of the imprest issued, an amount of Kshs.100,000 was to be ground imprest, Kshs.560,000 was to cater for transport, conference facilities and lunches for participants and the balance of Kshs.890,000 was for payment of allowances to MCAs and staff of the County Assembly. However, the expenditure was not supported with relevant documentation such as signed payment schedules, reports and minutes from the public forums and receipts and invoices for transport and hire of conference facilities.

In the circumstances, the validity of the expenditure of Kshs.1,500,000 cannot be ascertained.

8.4 Unaccounted for Fuel Expenditure

Disclosed also in Note 5 to the financial statements is an expenditure of Kshs.5,839,689 in respect of fuel, oils and lubricants. However, relevant detailed orders, invoices and receipts for the expenditure were not provided for audit verification.

Further, a review of work tickets for motor vehicle No.25CG 010A assigned to the Speaker of the Assembly revealed instances of use of the motor vehicle beyond official working hours and private activities contrary Section 1.6.1 (i) of the County Assembly Transport management policy which states that all Assembly vehicles should be parked at the premises of the County Assembly after working hours and when they are not being used for official business. In addition, on some occasions, the Speaker fueled the vehicle while on journeys which appear private and claimed refund from the Assembly.

As a result, the validity and regularity of fuel expenditure of Kshs.5,839,689 cannot be confirmed.

8.5 Insurance Costs

Included in the use of goods and services expenditure of Kshs.325,285,221.95 as disclosed in Note 5 to the financial statements are insurance costs of Kshs.21,518,258. However, examination of procurement and payment records in respect of the expenditure revealed the following anomalies:

8.5.1 Irregular Extension of Medical Insurance Contract

According to records presented for audit review, the County Assembly had contracted M/s Resolution Insurance to offer medical insurance cover for one year effective 20 March 2017 to 19 March 2018. Documents indicate that the County Assembly initiated the procurement of insurance service for 2018/2019 financial year before the contract period for 2017/2018 lapsed. Further, verification of tender evaluation minutes of 12 March 2018 showed that the tender committee recommended M/s CIC Group to be awarded the contract.

However, an objection was raised by the County Assembly Service Board(CASB) regarding irregularities in the tendering process which resulted in disqualification of M/s Resolution Insurance during preliminary stage of tender evaluation meeting held on 29 March 2018. The CASB resolved to continue with the existing contract with M/s Resolution Insurance through letter dated 29 March 2018 seeking an extension of the 2017/2018 contract up to 18 April 2018, as the 2018/2019 tender was being re-advertised. The tender was finally awarded to M/s Resolution Insurance on 30 May 2018, a date beyond the extension period of 18 April 2018.

The insurer invoiced the County Assembly a total of Kshs.5,180,859.41 on 15 May 2018 for the short term insurance cover. Details on how the premium was determined were however not provided for audit review. Further, the medical insurance premium had not been paid as at the time of the audit in October 2018 even though it was not disclosed and listed among the pending bills as at 30 June 2018.

The management has not given satisfactory explanation for these anomalies and the failure to disclose the unpaid invoice in the financial statements for the year under review.

8.5.2 Unsupported Expenditure on Additional Medical Insurance Cover

According to records presented for audit, the County Assembly incurred an expenditure of Kshs. 4,155,872 on 4 January 2018 through payment voucher number 265 described as being additional medical insurance covers for Members of County Assembly and staff. The payment voucher was supported by the underwriter's invoices No. 45005 of 21 December 2017 for eighteen people and invoice No.1002018 of 2 January 2018 for seven people. However, the names of the MCAs and staff paid for were not provided for audit review. As a result, the regularity and validity of the payment of Kshs.4,159,872 for the medical insurance covers cannot be confirmed.

8.6 System Required Expenses and Donations to Community

Disclosed in Note 5 to the financial statements on use of goods and services is an amount of Kshs.33,663,741.80 against "system required expenses" for which no allocation was made in the approved budget. It has not been explained why the expenses were not captured in the correct chart of accounts as approved in the budget.

The "system required expenses" also includes payments of Kshs.487,800 in respect of foodstuff donated to famine stricken residents in Wamba East and Waso wards and food stuff donations during a cultural ceremony in Gituna Trading Centre in the County. However, no documentary evidence was provided indicating that the foodstuffs were delivered, recorded and distributed to the intended beneficiaries.

Consequently, the validity of the payments described as system required expenses for the year ended 30 June 2018 cannot be confirmed.

8.7 Irregular Expenditure on CAF and SOCAT Subscriptions

Disclosed in Note 5 to the financial statements on use of goods and services is expenditure of Kshs.26,400,192 in respect of other operating expenses which includes amounts of

Kshs.2,700,000 and Kshs.500,000 paid during the year to County Assembly Forum(CAF) and the Society of Clerks at the Table (SOCAT), respectively. However, during the year under review there was no law or policy in place approved by the County Assembly authorizing such payments and management of subscription fees. In the circumstances, the validity of the payments cannot be confirmed.

8.8 Irregular Refund of Motor Vehicle Service Expenses

Disclosed also in Note 5 to the financial statements is an expenditure of Kshs.3,413,935 on maintenance-vehicles and other transport equipment which includes an amount of Kshs.758,667 relating to refund to the County Assembly Speaker for purchase of spares and repairs of official vehicle 25CG 010A.

However, the refund which was made vide payment voucher number 479 was not supported with mechanical report from the public works motor vehicle inspection unit and details of work ticket showing how the defects were identified. Further, the refund was not supported with official receipt from the dealer. It has not been explained also why the Speaker decided to use his own resources to repair the vehicle.

Consequently, the validity and regularity of the refund of Kshs.758,667 to the County Assembly Speaker cannot be ascertained.

9. Irregularities in Car Loan and Mortgages

9.1 Outstanding Car Loan and Mortgages

As previously reported, former Members of the County Assembly had car loans and mortgages balances totalling Kshs.15,245,515.80 as at 31 August 2017 (Kshs.20,465,809.90 as at 31 July 2017) that remained outstanding at the expiry of their term on 31 July 2017. However, no documentary evidence has been produced so far for audit verification to confirm that the loans were settled through other means after the expiry of the Members' terms of office.

9.2 Car Loan and Mortgage to County Assembly Speaker

According to records presented for audit, the County Assembly Speaker had car loan and mortgage balance totalling Kshs.16,686,260.19 as at 30 October 2018. The loans comprised Kshs.6 million advanced to him as an employee of the County Assembly and Kshs.10million advanced to him as the Speaker and Member of the County Assembly Service Board.

Records further indicate that the monthly instalment payable of Kshs.376,736.70 was to be deducted as repayment of the loans. However, a review of deductions schedules and payroll reflects monthly repayments of Kshs.340,000 only comprising payroll deduction of Kshs.290,000 and an additional Kshs.50,000 through a standing order at Kenya Commercial Bank. The resultant shortfall in deduction of Kshs.36,736.07 has not been explained leading to possible loss of public funds.

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, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance and Basis for Adverse Opinion sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

Lack of Risk Management Policy

Documentation on the County Assembly's risk assessment and management process have not been developed and maintained. Therefore, risks for the year under review were not identified nor addressed.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and 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 governance.

In preparing the financial statements, management is responsible for assessing the ability of the County Assembly to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either to cease operations, or have no realistic alternative but to do so.

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 County Assembly's financial reporting process, reviewing the effectiveness of how the entity 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 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 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 County Assembly's 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 going concern 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 ability of the County Assembly 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 Assembly to cease sustaining 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 Assembly 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

Nairobi

18 February 2019