

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF ELGEYO MARAKWET FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Executive of Elgeyo Marakwet set out on pages 1 to 40, which comprise the statement of assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows, summary statements of appropriation : recurrent and development combined and budget execution by programmes and sub-programmes for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of County Executive of Elgeyo Marakwet 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 comply with Public Finance Management Act, 2012 and the County Government Act, 2012.

Basis for Qualified Opinion

1.0 Other Grants and Transfers - Free Maternity Disbursement

The statement of receipts and payments for the year ended 30 June 2018 reflects other grants and transfers figure of Kshs.241,350,000 which includes free maternity disbursements – health balance of Kshs.87,623,357 as disclosed under Note 15 to the financial statements. However, available information revealed that included in the free maternity disbursements balance of Kshs.87,623,357 is an amount of Kshs.14,365,801 relating to expenditure on personal emoluments.

It is not clear and management has not explained why money meant for free maternity was spent on personnel emoluments. Consequently, the accuracy and validity of the free maternity expenditure of Kshs.87,623,357 for the year ended 30 June 2018 could not be confirmed.

2.0 Compensation of Employees

The statement of receipts and payments for the year ended 30 June 2018 reflects compensation of employees figure of Kshs.2,067,788,986 which is at variance with the payroll records figure of Kshs.2,006,431,579 resulting in unexplained or unreconciled variance of Kshs.61,357,407. Although management explained that the variance

resulted from prior year deductions which was outstanding, the same had not been reflected as pending accounts payable during the financial year 2016/2017.

Consequently, the accuracy and completeness of compensation of employees expenditure of Kshs.2,067,788,986 for the year ended 30 June 2018 could not be confirmed.

3.0 Summary of Fixed Assets

3.1 Fixed Asset Register

Annex 5 to the financial statements reflects a summary of fixed assets register figure of Kshs.250,341,532 in respect of additions during the year which is at variance with acquisition of assets figure of Kshs.733,229,110 under note 17 to the financial statements and the statement of receipts and payments for the year ended 30 June 2018 and therefore resulting in unexplained variance or unreconciled difference of Kshs.482,887,578.

In addition, the fixed asset register availed for audit review indicate total assets figure of Kshs.482,177,939 which is also at variance with Annex 5 summary fixed assets register total figure of Kshs.1,549,264,091 resulting to unreconciled or unexplained difference of Kshs.1,067,086,152.

Under the circumstances, the validity, accuracy and completeness of the summary of fixed assets register figures for additions for the year and total balance as at 30 June 2018 could not be confirmed.

3.2 Assets and Liabilities from the Defunct Local Authorities

Annex 5 summary fixed assets register reflects total fixed assets figure of Kshs.1,549,264,091 as at 30 June 2018. However, as reported in the previous year, management has not included fixed assets from defunct local authorities amounting to Kshs.568,889,166 as summarized below:

Particulars of Class of Assets	County Council of Elgeyo Marakwet Kshs	County Council of Keiyo Kshs	Town Council of Iten Tambach Kshs	Total Kshs
Land	46,490,000	112,950,000	152,000,000	311,440,000
Buildings	66,538,277	12,500,000	113,100,000	192,138,277
Motor vehicles	39,527,464	12,450,000	4,880,000	56,857,464
Computers	1,347,000	330,000	120,500	1,797,500
Computers and Accessories	1,715,000	33,000	37,000	1,785,000
Furniture and fittings	1,381,675	398,000	416,000	2,195,675
Equipment	2,556,000	101,250	18,000	2,675,250

Particulars of Class of Assets	County Council of Elgeyo Marakwet Kshs	County Council of Keiyo Kshs	Town Council of Iten Tambach Kshs	Total Kshs
Total	159,555,416	138,762,250	270,571,500	568,889,166

Consequently, the accuracy and completeness of the fixed assets balance of Kshs.1,549,264,091 as at 30 June 2018 could not be ascertained.

4.0 County Own Generated Revenue

The statement of receipts and payments for the year ended 30 June 2018 reflects Kshs.105,482,226 in respect of County Own Generated Revenue while IFMIS schedules shows a figure of Kshs.109,948,936 resulting to unexplained difference of Kshs.4,466,710.

Consequently, the accuracy and completeness of the County Own Generated Revenue for the year ended 2018 could not be confirmed.

5.0 Unexplained Differences Between Project Status Report and IFMIS Status Reports

IFMIS status report availed for audit review indicated that Kshs.1,925,278,284 was budgeted under development vote for the year under review while project status report indicate that the budget for the same was Kshs.867,020,683 resulting in unexplained or unreconciled variance of Kshs.1,506,397,817 .

In addition, IFMIS actual expenditure on development vote amounted to Kshs.939,931,001 which was at variance with the project status report actual expenditure of Kshs.418,880,467.

The resultant difference of Kshs.521,050,534 between the two sets of records has not been explained or reconciled.

6.0 Acquisition of Assets - Construction of Sub-County Office at Chesoi

Note 17 to the financial statements reflects Construction of buildings of Kshs.227,571,349 which includes an amount of Kshs.1,988,000.00 incurred on construction of Sub County Office at Chesoi. Records available indicate that the contract was awarded to a local contractor at a contract sum of Kshs.6,495,430.0 after termination of an earlier contract of Kshs.8,991,866 over failure to resume works. As at the time of termination of the contract, the contractor had been paid a total of Kshs.2,338,650.

In addition, the contract signed on 7 February 2018 indicate that the contract was to take a duration of 7 weeks from the date of signing the contract. Inspection of the project on 7 November 2018 indicated that the site was deserted and the structure continues to deteriorate. No reason was provided by management for over 30 weeks delay from the expected completion date of 04 April 2018.

Further, the title deed or sale agreements to confirm ownership of the land was not availed for audit review.

In view of the above, it was not possible to ascertain the accuracy and completeness of acquisition of assets.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Executive of Elgeyo Marakwet 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 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. There were no Key Audit Matters to report in the year under review.

Other Matter

1.0 Development Vote – Projects Implementation

The County Executive, during the year under review, allocated Kshs.1,925,278,284 to ten (10) departments to finance various projects. However, the implementation of these projects was behind schedule and by 30 June 2018, only Kshs.939,931,001 had been spent on the projects which represents only 49% of the funds allocated as summarized in the table below;

Head	Department	Approved Estimates Kshs	Cumulative Expenditure Kshs	Variance Kshs	Variance %
D4362	Office of Governor	230,420	230,420	-	-
D4372	Youth, Sports, Culture and Gender	124,421,765	60,878,649	63,543,116	51
D4371	Trade, Tourism, Co-Operative Development and Energy	74,296,399	37,910,590	36,385,809	49
D4369	Roads, Public Works and Transport	369,694,037	192,025,858	177,668,179	48
D4368	Lands, Housing And Physical Planning	354,234,726	194,893,210	159,341,516	45
D4367	Health	441,215,961	202,490,369	238,725,592	54
D4366	Education, Science and Technology	338,448,356	133,704,814	204,743,542	60

Head	Department	Approved Estimates Kshs	Cumulative Expenditure Kshs	Variance Kshs	Variance %
D4364	Agriculture, Livestock and Fisheries	162,297,060	89,127,939	73,169,121	45
D4373	ICT and Public Service	59,959,860	28,669,152	31,290,708	52
D4374	County Public Service Board	479,700	-	479,700	100
	Total	1,925,278,284	939,931,001	985,347,283	51

Overall, the County Executive did not utilize a total of Kshs.985,347,283 representing 53% of the county government's development budget. The County Public Service Board, Education, Science and Technology, Health, ICT and Public Service and Youth, Sports, Culture and Gender departments had the highest underutilized development funds at 100%, 60%, 54%, 52% and 51% respectively.

2.0 Projects Physical Verification

Physical verification of projects was conducted on the 6 November 2018 and 7 November 2018. The observations made are summarized below:

Serial No.	Project	Budget Allocation Kshs	Payments as at 30 June 2018	Observations
1.	Construction of Kamariny Pavilion	-	31,826,644	Incomplete –there are other works being done by the National Government as per an MOU signed on 20 January 2017 between the County Government and M/s Sports Kenya.
2.	Proposed Governor's residence	-	13,873,301.50	The project still has stalled due to a court case filed by the locals arguing that the ground was designated as stadium. The County Government promises to conduct public sensitization on need of construction of Governors residence and that the County Public works will visit the site to assess the materials on site and recommend on the same.
3.	Twin ECD classroom at Ngorngoroi Primary School	2,200,000	1,500,000.00	Cracks have developed on the walls and floor as a result of undertaking the construction works before the foundation settled. This is an indication of poor supervision of the project. The County Government explains that it will carry out inspection before the projected is handed over. Retention monies withheld from the contractor amounting to Kshs.220,343.00 is

Serial No.	Project	Budget Allocation Kshs	Payments as at 30 June 2018	Observations
				available at the Deposit account for correcting any defects
4.	Sub county office at Chesoi	6,495,430	4,326,650.00	The title deed to confirm ownership of the land was not availed for audit review. Locals interviewed indicated that the site was previously utilized for a community cattle dip in which management has not provided the elaborate process of change of site and user from the designated cattle dip to a sub county office. The contract signed on 7 February 2018 indicate that the contract was to take a duration of 7 weeks from the date of signing the contract. Inspection of the project on 7 November 2018 indicated that the site was deserted and the structure continues to deteriorate. No reason was provided by management for over 30 weeks delay from the expected completion date of 04 April 2018.
5.	Kaptubei borehole	1,000,000.00		Complete and in use. However, water trough is required for the public to use. The project is not labelled.
6.	Kaplis water project	1,000,000.00	995,650	Water is flowing at some sections of the area. However, an individual has diverted the water for his use and therefore the public is not benefiting from the project. Distribution networks are also required.
7.	Kilos Water project			The public is not benefiting from the project as water is drawn at two points; an individual homestead and a school which is inaccessible to the public. No reason was provided for not having public water points.
8.	Togocho Community water project	1,000,000.00		Water is flowing at a public water points. Water trough for cattle is available.
9.	Construction of mortuary block at Kapkata Health Centre.	2,000,000	1,420,850	Complete but not in use. The project is not labelled and therefore the institution which executed the project may not be known.
10.	Lukuget/Ratia Water project		2,294,520	Water is flowing at Lukuget at Ratia Water Project. The project requires distribution to other areas.
11.	Fencing of Kapkamak/	1,000,000		Complete and in use

Serial No.	Project	Budget Allocation Kshs	Payments as at 30 June 2018	Observations
	Kabonon Irrigation scheme			
12.	Olotketut Water project		2,500,000	Piping to Kotut done. Water was not flowing at Kotut dip. Requires distribution networks
13.	ECD Classroom at Chesawach Primary	2,228,175	1,652,490	Complete and in use. However, cracks have developed on the floor.
14.	ECD class rooms and Twin Toilet and Kibendo Primary School	2,199,269	1,124,266.30	Cracks observed on the walls of the twin toilet. Management has explained that a letter has been written to the contractor to remedy the defects before handing over of the project. Retention monies balance of Kshs.116,996 will be used to repair the cracks on the walls in the event the contractor does not comply.
15.	ECD Class Rooms and Twin Toilet at Msekekwa Primary School	2,209.600	1,618,750	complete
16.	Proposed maintenance of Boundary Lillies athletics lane road.	2,000,000	0	Gravelling, grading and compacting done (7.4 kms) done and complete.
17.	Twin ECD classroom at Kamariny Primary School.		1,500,310	Complete but not in use. Floor cracks had developed. The project is not labelled
18.	Kipsoen TTI water project pipeline extension			Complete and in use
19.	Kapteren and Kaptarakwa Co-operative societies milk recording software	640,000	640,000	Complete and in use
20.	Chepkorio water project	1,160,000		Complete and in use
21.	Construction of 12 ward at Chepkorio Sub County Hospital.	5,100,000	4,787,960	Finishing works ongoing. Doors and tiling not yet done. The project period has lapsed.

Serial No.	Project	Budget Allocation Kshs	Payments as at 30 June 2018	Observations
22.	Completion of Chepkorio Vocational training centre	530,782	530,782	Complete and in use
23.	Sub County office at Chepkorio.	9,380,420	2,772,620	First floor slab done. Construction works ongoing.
24.	Proposed Pipelaying Of Gravity Main At Kapsowar Water Project	5,000,000	4,811,800	Incomplete
25.	Hire of Excavator For Opening Marsitet-Mukono-Momui Road In Kapsowar Ward	1,500,000	3,400,200	Completed
26.	Execute Rock Blasting of Matira-Koitalil Road in Aror Ward	4,500,000	3,007,500	Road not yet usable. Contractor not on site. Explanation provided is that maintenance works were meant for the section of the road that had been opened and rock outcrops blasted. The works are still ongoing with the contractor doing the culverts/structures for the remaining balance.
27.	Hire of Dozer For Opening of Nyawa Rimoi Road In Tambach Ward		2,997,575	Road not complete .Section is incomplete. The county executive has explained that this is a new road being constructed from scratch. The road is being funded in phases (yearly). In 2017/2018, that road had a budget of 3million and in 18-19 FY it has a budget line of 2million due to resource constraint from CRA. So the road is not usable at the moment because only the first 3.5 KM out the total stretch of 12KM has been opened.
28.	Proposed Maintenance of Matira-Katkok Road In Kapsowar Ward		2,102,875	Completed
29.	Rehabilitation of Existing Weir(Upper and Lower) Gravity, Distribution		1,999,000	Completed

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Serial No.	Project	Budget Allocation Kshs	Payments as at 30 June 2018	Observations
	Lines and Construction of 50m3 Capacity Groung Masonry Tank and Kipsaiya-Sisiya Water Project in Kapsowar Ward			
30.	Proposed Maintenance of Sisiya-Kipsaya Road in Kapsowar Ward	3,000,000	1,849,660	complete
31.	Hire of Excavator Wet Rate Cut To Spoil Matira-Kotilal Roads In Arror Ward		1,741,843	Incomplete
32.	Proposed Maintenance of Koitilal-Matira Road	4,500,000	1,688,950.00	incomplete
33.	Culverts, Drifts and Gabions Installation In Emsoo Ward		1,396,000.00	Completed
34.	Maintenance of Kibuga-Kasoyo Road	2,000,000	1,197,500.00	
35.	Hire of Excavator Wet Rate for opening Emitei-Sebelit-Embokamanya and Litei-Katkok Kapsowar Ward	1,100,000	1,099,800.00	Completed
36.	Proposed Maintenance of Chebara Town Roads		968,200.00	Completed
37.	Replacement of Filter Media and Nozzle For Laterals of Composite Filteration Unit		957,000.00	Completed

Serial No.	Project	Budget Allocation Kshs	Payments as at 30 June 2018	Observations
	at Kapsowar Water Project			
38.	Proposed Maintenance of Msekekwa-Kapsoyo-Kendur Road In Kapchemutwa Road		5,338,300	Completed
39.	Surveying, Design and Supervision of Salaba-Kabulwo Road	1,000,000	1,000,000	Road not yet usable
40.	Hire of Dozer For Opening of Salaba-Kobulwo Road	2,000,000	1,654,900	Road not yet usable. Contractor not on site. The county executive has explained that this is a new road 13.5km long from the survey and design report and is to cost 60.2 Million to construct it to motorable standards. The allocation was 2Million from EDA. The funds allocated to the project was not sufficient but the community promised to fund in phases the remaining works until its completion.
41.	Kibendo Tomato	2,000,000		Incomplete Contractor not on site

Consequently, value for money has not been realized as a result of delays in completion.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC MONEY

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matter described in the Conclusion on Compliance and Effectiveness section of my report, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Compensation of Employees

1.1 Lack of Approved Staff Establishment

As reported previously, the County Executive does not have an approved personnel establishment that indicates the number of employees required in each category and therefore it is not possible to ascertain the optimum number of employees required. This is contrary to section 59(1) (g) of the County Government Act, 2012 which stipulates that the function of the County Public Service Board includes among others the role to facilitate the development of a coherent, integrated human resource planning and budgeting of personnel emoluments in counties.

Hence in the absence of an approved personnel establishment, the County Executive may not be able to determine the optimum size of the establishment to discharge services to the residents' of Elgeyo Marakwet.

Consequently, the County Executive was in contravention of section 59(1) (g) of the County Government Act, 2012 in not facilitate the development of a coherent, integrated human resource planning and budgeting of personnel emoluments in counties.

1.2 Temporary Employees

Available records provided for audit review revealed that the County Executive made payments in respect of casuals amounting to Kshs.13,825,270. However, no evidence of approval by the County Public Service Board was provided for audit verification to confirm that the employment of casuals was approved in accordance with section 119(2) of Public Finance Management (County Government) Regulations, 2015.

The management was therefore in breach of the law.

1.3 Failure to Observe One Third Rule in Staff Establishment

A review of personnel records during the year under review indicated that the County Executive had 1,702 staff as at 30 June 2018. However, out of 1,702 staff, 1586 or 93% were from one dominant ethnic community contrary to Section 65(1)(e) of the County Government Act, 2012 which require that the Public Service Board when selecting employees to employ should consider the need to ensure that at least 30% of the vacant positions at the entry level are filled by candidates who are from the dominant ethnic candidates.

Consequently, the County Executive is in breach of the County Government Act, 2012 on establishment of staff as a means of promoting national unity.

1.4 Compensation of Employees Ratio

The statement of receipts and payments for the year ended 30 June 2018 reflects compensation of employees figure of Kshs.2,067,788,986 which represents 51% of the total revenue of Kshs.4,036,759,754 thereby exceeding the recommended percentage of 35% stipulated in Section 25(1b) of the Public Finance Management (County Government) Regulations, 2015.

The County Executive is therefore in breach of the law.

2.0 Budget as a Control Tool

2.1 Budget Control and Performance

During the year under review, the Elgeyo Marakwet County Executive had a total budget of Kshs.4,944,687,669 comprising of Kshs.2,956,638,897 for recurrent and Kshs.971,411,296 for development. Further, the total budget reflected overall under absorption of Kshs1,016,637,476 or 21% as summarized below;

Vote	Budget (Kshs.)	Actual Expenditure (Kshs.)	Under Absorption (Kshs.)	Under Absorption (%)
Recurrent	3,006,921,959	2,956,638,897	50,283,062	2
Development	1,937,765,710	971,411,296	966,354,414	50
Total	4,944,687,669	3,928,050,193	1,016,637,476	21

Further, the budget performance shows that County Executive spent Kshs.971,411,296 on development which is 20% of total budget contrary to Section 107 (2) of the Public Finance Management Act which requires that in managing the county government's public finances, over the medium term, a minimum of thirty percent (30%) of the county government's budget shall be allocated to the development expenditure.

The county executive is in breach of law.

2.2 Stalled Projects- Pavilion at Kamariny Stadium and Governors' Residence

As reported previously, an amount of Kshs.31,826,644 was paid to a construction company in respect of proposed construction of a pavilion at Kamariny stadium. A physical verification in January 2018 revealed that the project is incomplete. Consequently, the propriety of the total expenditure of Kshs.31,826,644 incurred in the construction of a pavilion at Kamariny stadium so far could not be confirmed.

Further, Kshs.13,873,301.50 was paid to another company for construction of Governor's residence. A physical verification of the project on November 2018 revealed that site remained deserted.

Consequently, the County has not obtained value for money in Kshs.13,873,301.50 paid towards the project.

Use of Goods and Services - Irregular Payments to Council of Governors

The financial statements reflects use of goods and services figure of Kshs.294,457,971 which includes rentals of produced assets of Kshs.4,335,000 as disclosed under note 12 to the financial statements out of which amount, Kshs.1,145,652.00 was in respect of payment made to the Council of Governors contrary to Section 37 of the Intergovernmental Relations Act, 2012 which states that operational expenses in

respect of the structures and institutions established in this Act shall be provided for in the annual estimates of the revenue and expenditure of the national government to cater for the Summit, the Council of County Governors, the Technical Committee, Secretariat and the sectoral working group established by the Technical Committee; and the sectoral working groups established by the Council.

The management is therefore in breach of the law.

My responsibility is to express a conclusion based on the review. The review was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the review so as to obtain limited assurance as to 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.

A review is limited primarily to analytical procedures and to inquiries, and therefore provides less assurance than an audit. I have not performed an audit, and, accordingly, express my conclusion in the form of limited assurance, which is consistent with the more limited work I have performed under this compliance review.

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, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the procedures performed, except for the matter described in the Conclusion on Effectiveness of Internal Controls section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

IT Control Environment

As reported in the previous year, a review of the information and communication Technology of County Executive of Elgeyo Marakwet revealed that the County Executive lacked a formal information and communication Technology Policy.

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

My responsibility is to express a conclusion based on the review. The review was conducted in accordance with ISSAI 1315. The standard requires that I plan and

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perform the review so as to obtain limited assurance as to whether effective processes and systems of internal control, risk management and governance was maintained in all material respects.

The matters reported are limited to the deficiencies identified during the audit that I have concluded are material to be reported. I have not performed an audit, and, accordingly, express my conclusion in the form of limited assurance, which is consistent with the more limited work I have performed under this review.

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.

In preparing the financial statements, management is responsible for assessing the County Executive's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to cease operations of the County Executive, 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 money is applied in an effective manner.

Those charged with governance are responsible for overseeing the County Executive'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 review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review 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 Executive of Elgeyo Marakwet 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 County Executive's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County Executive to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the County Executive to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and 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

19 February, 2019