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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Executive of Kakamega set out on pages 1 to 82, which comprise of the statement of assets and liabilities as at 30 June, 2019, statement of receipts and payments, statement of cash flows and the summary statement of appropriation recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the 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 the County Executive of Kakamega as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the County Governments Act, 2012 and Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unexplained Variances in Account Balances

1.1 Accounts Payables

The statement of assets and liabilities reflects accounts payables-deposits and retentions totalling Kshs.285,900,075, being retention monies payable to contractors upon expiry of the respective defects liability periods. However, the retention bank account balance as at 30 June, 2019 was Kshs.199,918,384. The variance amounting to Kshs.85,981,691 between the two sets of records has not been explained.

Consequently, the accuracy of the accounts payable-deposits and retentions balance totalling Kshs.285,900,075 reflected in the statement of assets and liabilities as at 30 June, 2019 has not been confirmed.

In addition, examination of records on the retention account indicated that Management irregularly withdrew Kshs.611,188,036 from the account and used it to fund general operations. A sum of Kshs.525,206,345 was refunded later in the year, leaving Kshs.85,981,691 outstanding as at 30 June, 2019. No explanation was provided by Management for the irregular use of the retention monies.

The irregularity may cause delay in payment of the retention monies to the respective contractors when the amounts become due.

1.2 County Own-Generated Receipts

The statement of receipts and payments reflects county own-generated revenue totalling Kshs.999,827,089 collected during the year under review. Out of this sum, several revenue streams including single business permit, market and trade centre fees and other local levies reflected collections totalling Kshs.152,972,613. However, aggregate collections shown for the items in the Enterprise Resource Planning (ERP) system implemented by the County Government totalled Kshs.48,401,029 whereas the Integrated Financial Management Information System (IFMIS) managed by the National Treasury reflected a balance of Kshs.183,539,559 against the items. The differences among the three sets of records have not been explained.

In view of the anomalies, the accuracy of the own-generated revenue balance totalling Kshs.999,827,089 reflected in the financial statements has not been confirmed.

1.3 Fixed Assets

Annex 3 to the financial statements reflects fixed assets totalling Kshs.10,248,165,037, comprised of assets valued at Kshs.7,029,426,326 brought forward from the previous year and additions during the year totalling Kshs.3,218,738,711. Although the Annexure is described as a summary of the fixed assets register, the register availed for audit did not tally with the balances reflected in the financial statements.

Consequently, the accuracy and completeness of the fixed assets balance totalling Kshs.10,248,165,037 reflected in the financial statements has not been confirmed.

1.4 IFMIS Generated and Financial Statements Balances

Several revenue and expenditure balances reflected in the financial statements differ from those reflected in the Integrated Financial Management System (IFMIS) report published by the National Treasury as detailed below:

Item Description	IFMIS Kshs.	Financial Statements Kshs.	Variance Kshs.
County Own-Generated Receipts	885,292,802	999,827,089	(114,534,827)
Compensation of Employees	6,646,069,749	4,575,458,415	2,070,611,334
Use of Goods and Services	1,756,756,356	1,777,002,597	(20,246,241)
Transfers to Other Government Units	0	1,181,305,830	(1,181,305,830)
Other Grants and Transfers	1,194,271,022	1,978,986,264	(793,715,242)
Acquisition of Assets	2,473,919,933	3,218,738,710	(744,818,777)
Other Payments	0	25,596,693	(25,596,693)
Social Security Benefits	38,627,758	0	38,627,758

Although some records on the transactions done outside of IFMIS were presented for audit, no reason was provided by Management for the failure to update the ledger to correct the anomalies.

In the absence of reconciliations between the balances reflected in the financial statements and IFMIS, the accuracy of the financial statements has not been confirmed.

2.0 Unconfirmed Balances

2.1 Cash and Cash Equivalents

The double columnar cashbook maintained at the Kakamega County General Hospital was not balanced daily as financial regulations require. In addition, unexplained postings were common in the cashbook during the year under review. For instance, the origin of the cash book balance brought down on 01 January, 2019 amounting to Kshs.2,441,784 was not explained. Consequently, it was not possible to confirm the accuracy and completeness of cash and cash equivalents balance totalling Kshs.1,906,173,770 reflected in the statement of assets and liabilities as at 30 June, 2019.

2.2 Other Grants and Payments

The statement of receipts and payments reflects Kshs.1,978,986,264 in respect of other grants and payments. The following discrepancies have been observed in relation to the balance:

2.2.1 County Youth Service and Women Empowerment Programme

A sum Kshs.185,940,764 reported under youth development and labour was spent on County Youth Service and the Women Empowerment Programme. However, records at the Ministry of Roads, Infrastructure, Public Works and Energy to which the budget was assigned reflects expenditure totalling Kshs.217,292,110. This resulted in a difference of Kshs.31,351,346 between the two sets of records. In addition , the expenditure schedules at the Ministry of Social Services, Youth and Sports which manages the Programme reflected expenditure totalling Kshs.144,792,722 under the item. This resulted in a difference of Kshs.72,499,388 between the two sets of records. No explanation has been provided for the variations noted.

Further, payments for the Programme's activities were made from January, 2019 whereas the enabling legislation, the Kakamega County Youth Services and Women Empowerment Act, 2019 became effective on 14 May, 2019. Therefore, the Programme operated without a regulatory framework for nearly half of the year under review.

In the circumstances, the accuracy and validity of the expenditure on County Youth Service and Women Empowerment Programme could not be confirmed.

2.2.2 Transfers to Emergency Fund

Expenditure records indicated that during the year under review, the County Executive spent Kshs.60,379,696 on disbursements made to the Kakamega Emergency Fund. However, the Management did not prepare and submit the Fund's financial statements for the year ended 30 June, 2019 to the Auditor-General as required in Section 165(3) of the Public Finance Management Act, 2012 and Regulation 15 of the Public Finance Management (The Kakamega County Emergency Fund) Regulations, 2018. The law and the regulations require the respective Executive Committee Member to submit to the Auditor-General the accounts of the Fund within three months of the end of the respective financial year.

In the absence of the financial statements, the occurrence, validity and completeness of the expenditure totalling Kshs.60,379,696 reported to have been incurred on the Fund has not been confirmed.

2.3 Unconfirmed Grant for Renovation of Maternity Ward

Examination of procurement records indicated that the County Executive received a grant of an undisclosed amount from the Rotary Club for renovation of the Maternity Ward at Kakamega County General Hospital.

The works valued at Kshs.10,966,135 were awarded to four contractors through Requests for Quotations method of procurement instead of open tender contrary to Section 54(1) of the Public Procurement and Asset Disposal Act, 2015. The law provides that no procurement entity may structure procurement as two or more procurements for the purpose of avoiding the use of a procurement procedure.

Management explained that the split of the procurement was required by The Rotary Club of Kenya who had offered a conditional grant to equip the maternity and paediatrics wings of the Hospital in May, 2018. However, no documentation was provided to explain the nature of the grant, including its value and the conditions agreed upon with the Club. In addition, the project was not included in the County Executive's budget and procurement plan for the year under review. Further, the grant and the expenditure incurred thereof were not reflected in the financial statements presented for audit.

Examination of the Bills of Quantities reported to have been prepared by a consultant in collaboration with the Public Works Office also revealed several errors and discrepancies. For example, Inspection and Acceptance Committee reports availed for audit were not supported with completion and handing over certificates.

In view of these anomalies, the actual amount of grant received, as well as value for money and validity of the expenditure totalling Kshs.9,746,707 incurred on the project could not be confirmed.

2.4 Fixed Assets - Unconfirmed Valuation and Ownership of Land

Included in the fixed assets balance totalling 10,248,165,037 reflected in Annex 3 to the financial statements are 57 (fifty-seven) parcels of land valued at Kshs.45,245,800 in aggregate acquired by the County Executive over a period seven years from 2013 to 2019. However, Management did not avail the respective title deeds for audit and as a result, ownership of the parcels of land by the County Executive could not be confirmed. In addition, information available indicates that the County Executive acquired seven (7) additional parcels of land measuring 13.99 hectares in aggregate whose values have, however, not been disclosed.

In view of these anomalies, the valuation and ownership of the acquisition of assets balance totalling Kshs.10,248,165,037 as at 30 June, 2019 has not been confirmed.

2.5 Pending Bills

Annex 2 to the financial statements indicates that the County Executive had pending accounts payables totalling Kshs.267,175,543 as at 30 June, 2019. However, the Annexure does not show the pending bills paid during the year under review and how the balance changed between the 2017/18 and the 2018/19 financial years. Therefore, Management have not provided all the disclosures prescribed by the Public Accounting Standards Board and as a result, the valuation and accuracy of the pending bills balances totalling Kshs.267,175,543 reflected in the financial statements has not been confirmed.

Further, had the pending bills been paid and the expenditure charged to the accounts for the financial year 2018/2019, the statement of receipts and payments would have reflected an excess vote (deficit) of Kshs.61,310,007 instead of a surplus of Kshs.205,865,536.

Failure to settle pending bills in the year they relate adversely affects provisions for the year in which the bills are paid, as they form a first charge on the budgetary allocations for the year. Further, delay in payment for goods and services slows down economic activity and may discourage private businesses from trading with public entities.

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

Key Audit Matters

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

Other Matter

1.0 Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis totalling Kshs.14,489,423,487 and Kshs.14,388,682,539 respectively resulting to a revenue deficit of Kshs.100,740,949 or 1% of the budget. Similarly, the County Executive expended Kshs.12,757,943,205 against an approved budget of Kshs.14,489,423,487 resulting to an under-expenditure of Kshs.1,731,480,282 or 12% of the budget. The deficit of revenue and under-expenditure imply that provision of services and execution of projects was constrained as a result of the funding shortfall.

2.0 Unresolved Prior Year's Issues

The audit report for the prior year highlighted several matters in the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Note 6 to the financial statements - other important disclosures - indicates that Management had not resolved most of the issues as at 30 June, 2019.

No explanation has been provided for the delay in resolving the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Unapproved Contract Variations

Procurement records examined indicated that a tender for construction works for Khayega Modern Market was awarded to a construction company at a revised contract sum of Kshs.59,037,209 and the works were set to be completed in 32 weeks. The certificate of practical completion was signed and issued on 30 May, 2017 and the statement of final accounts prepared and signed on 15 June, 2017 to confirm completion of the project and full payment to the contractor. However, records availed for audit indicated that on 14 June, 2018, the County Executive Committee approved an increase in the cost of the contract by Kshs.8,213,036 which sum was thereafter paid to the contractor on 13 December, 2018.

Management did not explain why additional works on the project were approved and awarded without a competitive procurement process, and long after the statement of final accounts had been prepared and signed on 15 June, 2017.

In addition, no documents were availed for audit to explain how the provisional contingencies sum of Kshs.3,000,000 included in the Bills of Quantities (BQs) was utilized.

Consequently, the validity and value-for-money on expenditure totalling Kshs.11,213,036 incurred on the project could not be confirmed.

2. Incomplete Construction of Bukura Modern Market

The contract for construction of Bukura Modern Market was awarded at a contract sum of Kshs.59,052,184 and the contract agreement thereafter signed on 21 June, 2016. The contract was scheduled for execution in two phases. The addendum to the agreement dated 27 February, 2017 indicated that Phase I of the contract comprised of general and particular preliminaries, market sheds, stalls, restaurant, civil works, prime costs and provisional sums totalling Kshs.33,845,563.

The second addendum (Phase II) to the contract was signed on 4 December, 2018 and included general and particular preliminaries, completion of the market shade, completion of stalls, civil works, prime costs and provisional sums totalling Kshs.25,206,621.

A sum of Kshs.18,218,204 was paid in respect of the works done during the year under review. However, in October, 2019, an audit inspection revealed the following anomalies:

Phase I

2.1 Market Sheds

(i) The prescribed mild steel fascia board, pre-painted to the approved colour, and valued at Kshs.140,800, was not installed.

(ii) Rain water gutters worth Kshs.162,075 were not installed.

(iii) Floor finishes were uneven and had patches and were likely to crack and chip away on being subjected to use.

2.2 Market Stalls

Rain water gutters worth Kshs.110,977, were not installed. Similarly, windows worth Kshs.20,250 and doors and painting works worth Kshs.34,300 specified in the Bills of Quantities were not done. Also, the walls were not plastered.

2.3 Restaurant

The ceiling was poorly done and works on the cornice and walling, electrical and plumbing installations were not completed.

2.4 Civil Works

Fastening of the chain link fence with three strands of barbed wire on top of concrete posts was outstanding whereas the chain link was not fixed with concrete and fastened below the ground level. A waste bin costing Kshs.405,935 was not installed.

2.5 Prime Costs and Provisional Sums

Provisional sums totalling Kshs.3,200,000 for mechanical, plumbing and drainage installations, electrical services installations and contingencies were not accounted for. In addition, the elevated tank provided for in the Bills of Quantities was not installed in spite of a holding tower having been erected, though poorly done. Further, proper drainage facilities were not provided.

Phase II

The works for the open air market and the paving slabs were not completed and in addition, an ablution block (bathroom) was not built and renovation works for the market office were not done.

The works were to be executed in one year (52 weeks) from 26 October, 2016 to 25 October, 2017. However, at the time of audit in October 2019, or 88 weeks (two years and ten months) after the expected completion date, the works had not been completed.

As a result of the delay in delivery of the project, the residents of Bukura are yet to enjoy the benefits the project was intended to provide for them. In addition, in view of the failure to adhere to the contract terms, value for money is unlikely to be attained on the funds invested in the project.

3. Irregular Variations and Delayed Completion of Malinya Modern Market Works

The procurement records further indicted that a contract for construction of Malinya Modern Market was awarded at a negotiated price of Kshs.36,576,067. The contract agreement signed on 2 May, 2017 was to be executed in 52 weeks up to 01 April, 2018. The works comprised of a market shed, stalls, toilet block, restaurant and external works, The latter entailed construction of a fence and installation of an elevated tank.

During the year under review, a sum of Kshs.19,403,943 was paid to the contractor for the work done. However, audit verification of the project conducted in October 2019, revealed the following unsatisfactory matters:

i. The worktops installed at the market sheds were of size 1100mm instead of the 1400mm length specified in the Bills of Quantities.

ii. The windows installed on the stalls measured 1200mm by 1200mm (2 Nos.) and 1200mm by 900mm (5 Nos.) whereas the Bills of Quantities had provided for the following window sizes:

- 1 Nos. 2000mm by 1500mm;

- 2 Nos.1500mm by 1500mm; and
- 4 Nos. 800mm by 1500mm.

iii. Similarly, four single leaf doors of size 800mm by 2100mm were installed instead of the specified 900mm by 2400mm. Three double doors size 1700mm by 2100mm were also installed instead of the 2000mm by 2400mm size provided for in the bills of quantities.

iv. Soil and waste water drainage civil works priced at Kshs.447,500 were not done.

Although the Management explained that the actual measurements would be done in the final account and rates adjusted accordingly, no explanation was provided for the change in the specifications or the reasons the respective works certificates were not adjusted before payment to reflect the changes.

Following the delay in completing the project, the residents of Malinya have not received any value on the sum of Kshs.19,403,943 incurred on the project as at 30 June, 2018. In addition, the changes made in the works without reference to payments made to the contractor may result in over-expenditure on the Project.

4. Ineffective Execution of Waste Disposal Site Maintenance Contract

Procurement records examined indicated that a tender for maintenance of Rosterman Dump Site was awarded to a construction company at a contract sum of Kshs.7,100,000 in November, 2017. The contract agreement indicated that the works entailed excavation and compacting of solid waste material at the disposal site located in Rosterman area. The contract was to last for one year and was to entail the following activities:

(i) Moving, compacting and burying waste at the site, among other cleaning activities;

(ii) maintenance of the disposal site's internal access road at a cost of Kshs.1,010,760 subject to 10% retention fee payable six months after the end of the defects liability period. Works on maintenance of the access roads were to be paid for separately upon certification of their execution, against provisions made in the Bills of Quantities;

(iii) fencing and maintenance using concrete polls, chain and barbed wires and installation of an entry and exit gates;

(iv) drainage works for leachates and storm water and construction of a soak pit into which the leachates were to be drained;

(v) spraying and fumigating the site and;

(vi) excavation of soil to create an undulating entrance for use by garbage delivery lorries.

At the time of audit in October, 2019, payments to the contractor totalled Kshs.6,645,245 including Kshs.1,328,200 paid during the year under review.

However, audit inspection of the project works revealed the following unsatisfactory issues:

(i) There were pools of contaminated storm waters and leachate resulting from poor drainage and lack of fumigation at the site. As a result, swarms of flies, mosquitoes and other insects had invaded the neighbouring homesteads. Residents living close to the dumpsite were at risk of infection with disease.

(ii) The residents complained that a vandalized fence at the site allowed children to access the unhealthy site with ease.

(iii) Dumping of garbage was done haphazardly due to blocked roads and failure to enforce good dumping site practices.

(iv) The large heaps of waste at the dumpsite were not spread, compacted and buried.

(v) The site's putrid stench had become a hazard in the neighbourhood.

Consequently, the contract was not executed in an effective way and as a result, the dumpsite continues to pose a significant health risk to the residents of Rosterman area in spite of the payments totalling Kshs.6,645,245 made to the contractor.

5. Irregular Renewals of Expired Cleaning and Laundry Services Contract

Records examined indicated that the County Executive through the Department of Health entered into a two-year contract with a local firm on 31 March, 2015 for provision of cleaning as well as laundry services at Kshs.503,000 and Kshs.291,000 respectively. Both contracts expired on 31 June, 2017 but Management extended them for six months to 30 June, 2018 on two occasions.

In June, 2018, the cost of the cleaning services contract was revised upwards by Kshs.238,666 to Kshs.841,666 from Kshs.503,000. No reason was provided for the negotiated revision, and extensions of the contracts, whereas procurement regulations would have required that new Requests for Quotations be floated.

Consequently, the Management breached the provisions of the Public Procurement and Asset Disposal Act, 2015.

6. Unconfirmed Validity of Payments to Community Health Volunteers

During the year under review, stipends totalling Kshs.29,793,400 were paid to Community Health Volunteers (CHV) involved in various public health activities. However, examination of records revealed the following unsatisfactory matters in respect of payments totalling Kshs.5,507,440.

i. Management did not avail the policy document used to guide collaborations with Non-Governmental Organisations in the activities.

ii. Reports on activities carried out by Sub-County and community level supervisors were not availed for audit.

In the circumstances, the validity of the payments totalling Kshs.5,507,440 reported to have been incurred on the CHVs during the year under review could not be confirmed.

7. Unconfirmed Value for Money on Additional Payments for Ambulance Services

A contract for provision of ambulance services signed between the County Executive and the Kenya Red Cross Emergency Plus (E-Plus) Medical Services provided that in the event mileage on travel recorded on use of any of the ambulances in any month exceeded 3,500 kilometres(Kms), the cost of fuel would be shared between the two parties on a 50:50 ratio.

Examination of the records maintained on all the nine (9) ambulances hired in the contract indicated that their use exceeded the 3,500 kms per mark for ten months of the financial year and as a result, 50% of their fuel costs which totalled 2,417,713 were billed to the County Executive in addition to monthly service costs totalling Kshs.65,488,068.

The nature of services offered by ambulances owned by the County Executive and the hired ones were similar. However, analysis of the records maintained on the three County Executive ambulances indicated that none of them travelled for more than 1,500 kilometres in any one month. In addition, the original work tickets for the nine hired ambulances, and the identities and other details on the patients attended to, were not availed for audit. As a result, it was not possible to confirm usage or distance covered by the vehicles.

In addition, the summary of monthly travel mileage and fuel consumption data for each vehicle were not provided for audit. Further, Management did not have access to the vehicle tracking systems for the nine (9) vehicles and could not therefore, confirm how they were used during the period under review and the payments were made on the basis of the reports submitted by the service provider.

Consequently, the validity and value for money on the expenditure totalling Kshs.67,905,781 incurred on service charges and additional fuel under the contract could not be confirmed.

8. Delay in Executing Health Systems Transformation Programme

The statement of account in respect of Kakamega County Special Purpose Universal Health Care Programme for the year under review indicated that a sum of Kshs.10,459,369 that remained unspent at the end of the previous financial year was brought forward to the year under review and Kshs.100,000,000 provided for in the year's budget, resulting to a provision of Kshs.110,459,369. Out of this sum, Kshs.77,447,972 was released to the County Executive during the year, out of which Kshs.62,064,533 was spent on purchase of equipment and other activities leaving a balance of Kshs.15,383,439 unspent as at 30 June, 2019. However, information available indicated that only Kshs.5,178,600 was returned to the special purpose account. The balance amounting to Kshs.10,204,839 was not accounted for.

Further, The National Treasury disbursed only Kshs.66,988,603 out of the allocation of Kshs.100,000,000 leaving a balance of Kshs.33,011,397 undisbursed.

Management explained the failure by the Department of Health to spend the balance of Kshs.5,178,000 as having resulted from late disbursement of funds by the County Treasury. However, no explanation was provided by Management on why the funds were not remitted to the Department in time.

In view of the failure to spend all the funds set aside for the Programme, the residents of Kakamega County did not obtain all the services planned for during the year under review. Further, no explanation was provided for the sum of Kshs.10,204,839 that was not accounted for.

9. Civil Works not Sourced Competitively

During the year under review, a sum of Kshs.36,387,751 was paid to a contractor for additional works carried out on the rehabilitation and expansion of Kakamega County General Hospital. The additional works were communicated through site instructions, and thereafter, approved by the Executive Committee in writing. On 11 April , 2019, the Department of Public works prepared variation orders that specified the additional works to be done and thereafter, a payment of Kshs.36,387,751 was made to the contractor in May, 2019.

However, examination of records availed for audit indicated inconsistencies in computation of the variation orders. For instance, whereas the contractor had requested an additional payment of Kshs.330,000, the consultant put the cost at Kshs.1,066,800 resulting to an overpayment payment of Kshs.736,000. Similarly, the contractor had put the cost of additional reinforcement works at Kshs.931,320 but the consultant put the cost at Kshs.1,263,588 resulting in payment of an additional Kshs.332,268 to the contractor. Similarly, the contractor did not request for additional items marked Fabric BS 4483 (A142) but was paid Kshs.412,200 for these.

In addition, the installation of five (5) towers, construction of a sewer-line and walkways costing Kshs.5,166,338, Kshs.537,776 and Kshs.532,500 respectively were identified as additional works. However, records indicating that the variations were approved by the tender awarding authority as required in Section 139(1) of the Public Procurement and Asset Disposal Act, 2015 were not availed for audit. Consequently, their validity and value for money could not be confirmed.

Further, no detailed Bills of Quantities on the works were availed for audit, and as a result, it was not clear how their costs were arrived at. Similarly, additional works done on the gate and fence cost the County Executive Kshs.5,126,594 but the respective Bills of Quantities were not availed for audit review.

As a result of these anomalies, the validity and value for money on the expenditure totalling Kshs.36,387,751 spent on the County General Hospital rehabilitation and expansion project could not be confirmed.

10. Delayed Completion of Kakamega Referral Hospital Staff Houses

A tender for construction of houses for staff at Kakamega County Referral Hospital was awarded to a contractor at a sum of Kshs.108,516,560. The works commenced on 29 September, 2016 and were to be done in 54 weeks to 13 October, 2017. However, the contractor, citing delays in payments for work done, requested for a one-year extension to 30 September, 2018. The request was approved by the project manager but at the time of the audit, only 55% of the contracted works had been completed. No explanation was provided for the long delay in completion of the project which had fallen behind schedule by over 103 weeks, or two years.

Examination of the project file indicated that the contractor had complained of delays in payments for work done and had, as a result, reduced the pace of work and presented claims for interest on the delayed payments. Although the claims were rejected by Management, there is risk that the cost of the project may rise in view of the delay in its completion.

Consequently, the staff serving at the Hospital have not obtained any value on the investment made in the incomplete project.

11. Delayed Construction of Mumias West Hospital

The tender for construction of Mumias West Hospital was awarded on 19 February, 2016 at a contract price of Kshs.191,116,022. The contract duration was to last for 104 weeks, or two years.

However the works were still ongoing at the time of the audit in October, 2019, five months after the end of the contract period in May. Payment Certificate No.13 indicated that works valued at Kshs.189,909,000 had not been completed as at 30 June, 2019.

As a result of the delay, the residents of Kakamega County were denied the use of the facility for more than one year. Further, the delay may cause the costs of the Project to rise further as a result of inflation or other factors.

Audit verification revealed that some additional works were carried out through Variation Order (V.O) Nos.1-16 totalling to Kshs.13,552,737. The sum included works valued at Kshs.6,406,228 that were not supported with relevant records.

In addition, examination of Certificate No.13 dated 24 September, 2019, indicated that out of Kshs.189,909,000 payable to the contractor, only Kshs.137,519,422 was supported with Bills of Quantities. The difference amounting to Kshs.52,389,578 was labelled as electrical and mechanical works procured through sub-contracting. However, the respective procurement documents including tender advertisement, tender opening minutes, the evaluation report and payment certificates were not availed for audit. Further, the Bills of Quantities had only provided for electrical and mechanical works worth Kshs.22,500,000. No explanation was provided by Management for the authority to spend an additional Kshs.52,389,5770 on the works.

The audit further noted that, additional costs totalling Kshs.669,000 for thirteen (13) aluminium doors were included in the expenditure totalling Kshs.12,337,293 incurred on the radiology building. Further, although the original Bills of Quantities had provided for a 900 square metres radiology building costing Kshs.9,692,805, the actual area done was reduced to 516 square metres not withstanding that the cost of the works was increased by Kshs.2,644,588 to Kshs.12,337,393. No adequate explanation was provided by Management for these variations.

In view of the anomalies, a significant portion of the expenditure incurred on the project is irregular. Furthermore, the increased costs may result in taxpayers not obtaining value for money on the sum of Kshs.189,909,000 incurred on the project.

12. Stalled Construction of 24-Bed Ward at Lumakanda

Records examined during the audit indicated that the County Executive spent Kshs.6,050,000 on purchase of a 6.6 acre parcel of land at Lumakanda for construction of Sub-County Hospital Wards. The records further indicated that on 4 December, 2015, a local contractor was awarded the tender to build a 24-bed ward at a contract sum of Kshs.8,658,445, later on revised to Kshs.10,293,811. The works commenced on 09 February, 2016 and were expected to be completed in 32 weeks in September, 2016.

Physical verification in August, 2019 revealed that the project had stalled and the floor, ceiling boards, painting works and other finishes had not been done three (3) years after the scheduled completion date. Although a letter dated 01 February, 2019 from the Medical Superintendent indicated that Kshs.5,448,722 meant for the project was not spent, payments totalling Kshs.5,434,739 were made to the contractor who was, however, terminated on 25 April, 2019. No explanation was provided for the failure to complete the project.

An audit inspection carried out in August, 2019 revealed that the construction site was in a solitary area served by a poor road network and was at least six kilometres away from the nearest public hospital. Management could not explain how the wards would benefit the residents of Lugari in the absence of a hospital nearby. Records availed for audit indicated that on 11 December, 2019, Management changed the facility to a health centre. However, the designs and cost implications of the change were not documented.

Consequently, taxpayers have not obtained value for money on the expenditure totalling Kshs.15,708,445 incurred on purchase of the land and the incomplete works contract.

13. Irregular Expenditure on Non-Devolved Functions

Examination of records on expenditure in the Department of Education indicated that, from 2013/14 to the end of year under review, the County Executive budgeted and spent Kshs.698,319,210 in aggregate on construction and support to secondary schools. However, there were no records indicating that that the County Government had, as provided for in the Constitution, entered into any agreement with the National Government in respect to projects and activities funded. Therefore, the expenditure was incurred contrary to Section 16 of Fourth Schedule of the Constitution of Kenya, 2010 which prescribes secondary school education as a responsibility of the National Government.

The budgeting and spending of Kshs.698,319,210 on functions of the National Government without prior agreement was, therefore, irregular. The irregularity constrained the ability of the County Government to implement projects and activities prescribed by the Constitution as a mandate of the counties.

14. Irregular Payment to Council of Governors

Examination of expenditure records indicated that during the year under review, the County Executive spent Kshs.13,359,384 on activities of the Council of Governors and charged the payments to other grants and payments.

Section 37 of the Intergovernmental Act, 2012 provides that the expenses of institutions formed under the Act, and which include the Council, are to be provided for in the annual estimates of the National Government. Therefore, the payments totalling Kshs.13,359,384 made to the Council by the County Executive were irregular.

15. Unutilised National Capitation Grants to County Polytechnics

Revenue records examined, indicated that during the year under audit review, the National Government disbursed funds totalling Kshs.52,782,050 to the County Government of Kakamega for use in refurbishment of sixty-three (63) County Polytechnics. Subsequently, the County Treasury through the Department of Education disbursed the funds to the polytechnics. However, no documents were availed for audit to indicate how the disbursed funds were used. As a result, there was no confirmation that the funds were put to their intended purpose.

Other information indicated that the polytechnics had not used the funds by the time the financial year ended on 30 June, 2019. Management did not provide any reason for the delay in absorption of the funds.

16. Irregular Procurement, Supply and Delivery of Fertilizers

The County Director of Agriculture in October, 2018 initiated procurement of 135,000 25-kilogramme, bags of planting fertilizer and 90,000 bags of top dressing fertilizer for maize with nutrient formulation of 12:36:10 (NPK)+; and 26:00:00 (NPK)+ respectively.

In December 2018, Bidder No.1 was recommended for the supply of 135,000 bags of planting fertilizer at a price of Kshs.1,550 per bag or Kshs.209,250,000 for the whole contract. Bidder No.2 was recommended for supply of 90,000 bags of top dressing fertilizer at Kshs.1,100 per bag and a contract sum of Kshs.99,000,000. The two items were, therefore, awarded at an aggregate cost of Kshs.308,250,000. However, the two were not notified of their winning bids or invited to sign contracts as required in law.

However, in 20 January, 2019, Management approved for direct procurement of Mavuno brand fertilizer from Bidder No.3 instead of the recommended bidders. The Head of Supply Chain Management Services explained that the direct procurement was made necessary by changes in the technical specifications that resulted to a fundamental change affecting material governance as provided for in Section 63(1) of the Public Procurement and Asset Disposal Act, 2015. However, no documented evidence was availed for audit to confirm this information.

Bidder No.3 had sought to supply 90,000 bags of maize planting fertilizer with formulation 10:26:10 (NPK)+ in 25kg bags at a unit price of Kshs.2,049 and 90,000 bags of maize top-dressing fertilizer with formulation of 26:00:00 (NPK)+ in 25kg bags at a unit price of Kshs.1,719. Management and the bidder, thereafter, negotiated the prices down to Kshs.1,839 and Kshs.1,550 respectively.

Subsequently, Bidder No.3 supplied 90,000 bags of maize planting fertilizer and 90,000 bags of top-dressing fertilizer and was paid Kshs.305,010,000.

Had the supplies been procured from Bidder Nos.1 and 2 at their respective bid prices of Kshs.1,550 for planting and Kshs.1,100 for top dressing fertilizers, the total cost would have amounted to Kshs.238,500,000 instead of Kshs.305,010,000. Management would as a result, have saved public funds totalling Kshs.66,510,000.

In view of these anomalies, it is not possible to confirm that value for money was obtained on the expenditure totalling Kshs.305,010,000, incurred on purchase of the fertilizers.

17. Unsatisfactory Construction of Governor's Residence

The tender for construction of the Governor's residence was awarded in March, 2017 at a cost of Kshs.66,666,705. The works were to be completed in 48 weeks from June, 2017 but were varied severally and finally set at 166 weeks to 30 August, 2019. No adequate explanation was provided for the changes made to the contract period. Had the project been completed on time, the County Executive would have saved Kshs.6,800,000 incurred on housing the Governor during the duration of the delay.

The audit also revealed the following unsatisfactory issues:

(i) Ownership documents including the title deed for the plot the house was built on were not presented for audit and as a result, it was not possible to confirm that the County Government was the legal owner of the land. Information available indicated the land was owned by Kenya Forest Service and was part of the Mautuma Forest Block measuring 1,577.86 hectares set for degazettement to enable the National Government settle informal settlers under Mautuma Central Settlement Scheme. However, no explanation was provided by the Management for building the Governor's residence on land that the County Government did not own, and how the building plan was approved in the absence of land ownership documents.

(ii) In addition, the expected time for de-gazettement of the land and its allocation to the County Government was not known to Management. Further, the engineer's estimates were not availed for audit and as a result, the audit could not confirm whether all the costed works were done.

Handing Over Notes availed for audit indicated that the building was completed and handed over to the County Government by the contractor on 10 July, 2019. However, an audit inspection done in November, 2019 revealed the following anomalies:

i. The building was not connected to the water supply system and there was no indication of any plans to do so.

   Important security infrastructure, including a sentry house, were not included in the design of the building and were therefore, not constructed.

ii. Data cabling and other communication and security connectivity were not factored in the design.

iii. The residence lacked a car park and staff quarters and no indication was provided by Management that these would be built.

iv. The main gate had and the perimeter wall had no lighting as these were reportedly not included in the original plan or the Bill of Quantities.

v. Several rooms lacked electrical fittings, some even lacked pointers for the fittings.

vi. The kitchen similarly lacked important fittings, including a kitchen sink.

vii. At the time of the audit in August, 2019, the house was, in spite of its completion, yet to be occupied and the County Government was therefore still paying rent for the Governor's residence.

In view of these anomalies, tax payers may not obtain value for money on the project costing Kshs.66,666,705 since it was not executed in an effective way.

18. Unsatisfactory Execution of Enterprise Resource Planning System Project

18.1 Contract Details and Performance

Management signed a contract for implementation of an Enterprise Resource Planning (ERP) system Project on 27 May, 2016. The lease-purchase contract was valued at Kshs.509,239,000 and entailed supply, installation and commissioning of an electronic County ERP system with twelve (12) modules and services namely:

i. Core Public Sector Revenue Management Module (CPSRM);

ii. Human Resource Management Module (HRM);

iii. Real-time Vehicle Tracking and Management Module (RTVTTM);

iv. Electronic Content Management Software (ECMS);

v. 3rd Party service oriented integration layer;

vi. Cloud Based Dedicated Centre (CBDDC);

vii. Cloud Based Dedicated Back-up Site(CBDBS);

viii. Provision of Data Centre Services;

ix. All system Software;

x. Backup Software;

xi. Integration of the County Health Information System (CHIS) into the Revenue Management System and;

xii. Integration of the ERP and IFMIS.

However, audit verification of the project indicated that there was no detailed work plan or project document to guide the execution of the contract. In addition, the expected deliverables were not clearly stated and as a result, the execution process was not monitored in an effective way.

Further, there was no evidence that a feasibility study was carried out before the system was procured. As a result, the installed system did not execute the functions envisaged in the project in an effective way.

The following anomalies were noted during the audit carried out in October, 2019:

(i) The revenue management system was only operational in Kakamega Town even though it was intended to cover all Sub-Counties.

(ii) No project implementation plan was drawn and followed to ensure effective installation of the system.

(iii) The County Health Information System (CHIS) service installed for integration with the system was de-commissioned by the CHIS consultant and the project was thereafter abandoned.

(iv) The human resource module expected to manage recruitment, leave, transfers, and retirement of staff was not functional.

(v) The documents management module was reported as complete and tested but a visit to the Records Management Unit revealed that no documents were digitized in spite of a scanner having been bought for the purpose.

(vi) The fleet management module was not activated as the parameters for motor vehicle tracking were not developed and input in the devices purchased for use by the module.

(vii) The data centre and connectivity project were not implemented.

(viii) Integration of the ERP into IFMIS was not done. Although Management explained that The National Treasury had declined to allow integration of the system with IFMIS, there was no documentary evidence of The National Treasury having disapproved the County Executive's request to be connected to IFMIS.

(ix) The inventory of items and modules supplied under the contract, including the application software and the respective licenses, were not availed for audit review. As a result, it was not possible to confirm that all items purchased under the contract were supplied.

(x) In spite of only one out of twelve modules being put to use, the monthly fees totalling Kshs.7,327,333 due on all the modules were charged and paid to the contractor.

Further, it is not clear why Management has not renegotiated the contract so that only services provided by the system are paid for to avoid wasteful expenditure. In view of the anomalies, value for money was not obtained on the expenditure totalling Kshs.509,239,000 spent on procurement of the system.

18.2 Financial Evaluation of the System

As previously mentioned, the cost of implementing the project including support and training included in the lease purchase contract, totalled Kshs.509,239,000. As at 30 June, 2019, Kshs.311,401,000 had been paid to the vendor and therefore, only Kshs.197,838,000 was outstanding.

Although the revenue management module was the core module of the ERP, comparison of the revenue collected and accounted for by the County during the year ended 30 June, 2019 revealed that collections recorded by the system totalled Kshs.112,596,653 only out of the total county own-generated receipts totalling Kshs.999,827,089. Revenue collection through the system was therefore equivalent to only 11% of the receipts from own sources in spite of the large investment on the system totalling Kshs.509,239,000.

The County Government has, therefore, not received value for money on the expenditure incurred on the ERP system. Further, the IFMIS system in use and managed by The National Treasury offers similar functionalities that may be activated on request. Management's decision to procure a new system that cost taxpayers Kshs.509,239,000 may, therefore, have not been necessary.

19. Ineffective Implementation of Cashless Revenue Collection System

A contract for the implementation of an additional cashless revenue collection system was signed on 15 March, 2019 for implementation in eighty-eight (88) weeks to September, 2020. However, audit review of the contract revealed that it contained clauses that were unfavourable to the County Government, as outlined below:

19.1 Uncertainty Over Transaction and Other Fees

The contract provided that the fee payable to the vendor per transaction would be two decimal five percent (2.5%) of all the funds collected through the system. However, the contract did not clarify whether the fee would include third party charges, such as Mpesa fees, incurred.

In addition, the contract did not state which of the two parties would bear the cost of auxiliary infrastructure such as portable devices and terminals required or used by the system.

19.2 Unfavourable Service Level Agreement

The response time for each category of incidents identified in the Service Level Agreement (SLA) does not provide for the resolution time. The SLA should have provided remedies to the County Executive for system downtime since the County would suffer revenue losses during the downtime. In addition, the provisions of the SLA were not specific and did not define a monitoring mechanism or applicable penalties for breach of contract. Good practice requires vendors of such systems to provide for a manual contingency revenue collection process and forfeiture of any commission payable for revenues collected manually. Further, penalties payable should be based on the severity of incidents.

There is no mechanism for monitoring the SLA and the vendor is not required to report monthly statistics including data on time the system is not functional. Definition of availability, or the operational status of the system that should be considered as fully functional, is not clarified in the SLA.

In view of the shortcomings, the service level contract appears to favour the contractor against the County Government which could constrain the effectiveness of the system.

19.3 Incomplete Implementation of Project

Certificates indicating that the various modules of the cashless system were successfully installed and put to use were not availed for audit. However, physical verification during the audit in October, 2019 revealed the following unsatisfactory matters:

i. Delivery of the hardware and software provided for use in the system's data centre could not be confirmed as the respective records were not availed for audit. In addition, although Management indicated that the system's services were hosted in the cloud (remote servers) and the hardware and software licenses were deployed at the hosting site, no documentary evidence was availed to confirm the assertion. As a result, it was not possible to confirm whether all hardware and software purchased with the system were supplied.

i. The revenue streams reflected in the Finance and Appropriation Act passed by the County Assembly were not captured in the system in the same form as they were approved by the County Assembly.

ii. Several of the modules envisaged in the system were not implemented. These included small businesses and street parking facilities, mobile application and county pay systems, and the Unstructured Supplementary Service Data (USSD) system network.

iii. Although all the 200 Point-of-Sale (POS) devices were supplied, officers in the revenue department were not issued with mobile phone numbers configured to verify and enforce revenue activities.

iv. Near Field Communication (NFC) capability that would offer enhanced connectivity among the devices used by the system was not installed.

v. Only one payment services provider, was connected to the system in spite of there being several others in the County.

vi. The timelines for the activation of the County electronics wallet was not stated.

Failure to implement all the modules purchased for the system constrained its utility and may result in waste of public funds.

19.4 Financial Implications

Out of the budget totalling Kshs.21,365,823 provided for the system in the 2018/19 financial year, only Kshs.3,190,000 was spent, being 50% of the cost of the feasibility study set at Kshs.6,380,000.

Further, records availed for audit indicated that procurement and installation the cashless system required additional funding estimated at Kshs.95,866,582.
This was in addition to the cost of the ERP system purchased at Kshs.509,239,000 and which included a revenue management module that was not fully implemented. No plausible explanation was provided by Management for the need to procure the new cashless system contracted to cost Kshs.102, 246, 582 inclusive of the feasibility study.

In the circumstances, the cashless system may not offer any additional utility and is therefore likely to result in waste of public funds.

20. Failure to Recover Outstanding Imprests

The statement of assets and liabilities as at 30 June, 2019 reflects accounts receivables-outstanding imprests balance totalling Kshs.10,465,640 which should have been accounted for on or before 30 June, 2019. The imprests were outstanding for periods ranging between six (6) months and three and a half ($3^{1}/_{2}$) years. However, no explanation was provided by Management for failure to recover the imprests from the holders.

Failure to surrender the outstanding imprests in due time contravened Regulation 93 (5) of the Public Finance Management (County Government) Regulations, 2015. In addition, it was not possible to confirm that the imprests were spent for the purposes intended.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance 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

1. Lack of Risk Management Policy

The County Executive did not have a risk management policy during the year under review even though records indicated that the Internal Audit Department had initiated the process of designing the policy in July, 2019. No explanation was provided by Management for the failure to implement the initiative.

In the circumstances, the County Executive may not be able to identify and mitigate the impacts of events likely to have adverse effects on its operations.

2. Insufficient Cash Book Controls

Examination of the cashbook and imprest register for Kakamega County General Hospital revealed that contrary to regulations, the cash book was not rechecked by a senior officer such as the Hospital Administrator or Medical Superintendent; or by the Internal Auditor. As a result, oversight and control on the entries in the cashbook was weak. In the absence of proper management of cashbook records, the risk of inaccuracies and other anomalies in the balances reflected therein was high.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the County Executive'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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County Executive's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County Executive to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the County Executive to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

Nancy Gathungu
<u>AUDITOR-GENERAL</u>

Nairobi

04 May, 2021