

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF SIIAYA 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 Siaya set out on pages 1 to 89, which comprise the statement of financial assets as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts 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 Siaya as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the County Government Act, 2012.

Basis for Qualified Opinion

1. Compensation of Employees

1.1. Payments for Employee Compensation

Included in the statement of receipts and payments is compensation to employees of Kshs.2,465,782,740 against the amount in the prior year of Kshs.2,108,786,987. This represents a material increase in employee salaries by Kshs.356,995,753 or 17% that have not been justified or explained. Further, the figure in the financial statements of Kshs.2,465,782,740 was higher than the payroll amount of Kshs.2,114,631,108 by an unexplained and unreconciled variance of Kshs.351,151,632.

Consequently, the validity of the compensation of employees expenditure of Kshs.2,465,782,740 could not be confirmed.

2. Financial Statements Mistatements

2.1 Misstatement of the Statement of Receipts and Payments

Included in the use of goods and Services figure of Kshs.977,913,305 is training expenses figure of Kshs.76,603,872 which in turn includes Kshs.18,900,000 under training transferred from the Central Bank of Kenya (CBK) to Imprest account on 18th July 2018. This amount has been expensed in the financial statements despite the fact that it is still part of the funds held by the County as at 30 June 2018.

Consequently, the reported surplus of Kshs.770,523,646 as at 30 June 2018 is understated by the transferred amount of Kshs.18,900,000 outside the cut-off period.

2.2 Mistatement of IFMIS Balances and the Financial Statements

2.2.1 Total Receipts

The statement of receipts and payments reflects total receipts of Kshs.6,002,059,086 which differs with the Integrated Financial Management System(IFMIS) total receipts balance of Kshs.5,012,529,643 resulting to an unexplained and unreconciled difference of Kshs.989,529,443.

2.2.2 Total Payments

The statement of receipts and payments reflects total payments of Kshs.5,231,535,440 which differs with the Integrated Financial Management System total payments balance of Kshs.5,026,515,706 by an unexplained and unreconciled difference of Kshs. 205,019,734.

2.2.3 Unexplained Gaps in IFMIS Transactions

The IFMIS management system is required to process and record transactions serially. However, a review of IFMIS payments revealed that there were numerous transaction gaps involving payment vouchers series that has not been explained as tabulated.

Missing Voucher Records	No	Missing Voucher Records	No
30036 – 30086	51	10055099 - 10055144	46
30849 – 30888	40	10055149 - 10055165	17
31046 – 31084	39	10055453 - 10055504	52
31087 – 31096	10	10055509 - 10055531	23
31098 – 31118	21	10055759 - 10055782	24
10054963 - 10055005	43	10055793 - 10055807	15
10055008 - 10055070	63	10056700 - 10056763	64

Further, the Executive payment vouchers provided for audit review were not pre-numbered and tallied to voucher series in IFMIS as a result it was not possible to compare the two records.

Consequently, the accuracy and validity of the 508 payment vouchers posting in IFMIS system could not be confirmed.

2.2.4 Journal Entries

The financial statements for the year ended on 30 June 2018 submitted for audit on

2 October 2018 and an amended copy on 17 December 2018 reflects changes in financial statements' item figures as shown below. However, no journal entries have been provided to support the changes or difference.

Item	Submission 2 October 2018 Kshs.	Submission 17 December 2018 Kshs.	Difference Kshs.
Unspent Funds	521,704,432	Nil	521,704,432
Use of Goods	753,436,200	977,913,305	224,477,105
Acquisition of Assets	782,049,003	1,059,472,235	277,423,232

Consequently, the differences could not be confirmed.

3. Summary of Fixed Assets

3.1 Fixed Asset Register

The summary of fixed assets registers under annex 3 to the financial statements reflected additions during the year of Kshs.620,405,140 which differs with the amount reflected in Note 19 under acquisition of assets of Kshs.1,059,472,235 resulting to unexplained variance of Kshs.439,067,095. The County Executive does not maintain an updated asset register and it was not possible to ascertain the nature, number, physical location and fair value of the County Executive fixed assets contrary to Regulation 136(1) of the Public Finance Management (County Government) Regulations,2015 which requires that the accounting officer shall be responsible for maintaining of an assets register for assets under his/her control or possession. Further, the fixed assets have not been tagged with unique identification codes as required.

Consequently, the accuracy, valuation, location, custody and completeness of the County Executive's fixed assets could not be confirmed as at 30 June 2018.

4. Cash and Cash Equivalents

4.1 Outstanding Imprests

Included in the statement of assets of Kshs.1,389,225,967 is outstanding imprests of Kshs.87,878,831 which differs with the attached imprest list at Note 24 of the financial statements balance of Kshs.87,618,898 by an unexplained and unreconciled difference of Kshs. 259,933. Further, a review of the imprest register revealed that outstanding imprests as at 30 June 2018 amounts to Kshs.246,404,831 resulting in an unexplained difference of Kshs. 158,526,000.

Under the circumstances, the accuracy, completeness and recoverability of the outstanding imprests Kshs.87,878,831 as at 30 June 2018 could not be confirmed.

5. Pending Bills

5.1 Failure to Maintain Pending Bills Register

The County Executive has an outstanding pending bills totalling Kshs.759,702,185 comprising of account payables of Kshs.739,868,991 and pending staff payables of Kshs.19,833,194 as at 30 June 2018 as disclosed in annex 1 and annex 2 to the the Financial Statements . However, these balances were not supported by a pending bills register.

In the circumstances, the accuracy and validity of the reported pending bills could not be confirmed

5.2 Unsupported Pending Bills

Further, the examination of the pending bills records revealed the following anomalies;

- i) Pending bills totaling Kshs.190,632,802 out of a total amount of Kshs.739,868,991 were not supported by local purchase orders, invoices, delivery notes, engineers works completion certificates nor the inspection and acceptance certificates.
- ii) An amount of Kshs.247,544,681 out of a total of Kshs.739,868,991 pending bills under the Department of Agriculture differs with the list of pending bills submitted by the Department of Kshs.24,651,047. The amount was however not supported by project files, local service orders, invoices, contract agreements, engineer's works completion certificates and inspection and acceptance reports to confirm the nature and status of works carried out by the listed contractors/suppliers.
- iii) The Department of Education procured goods and services amounting to Kshs.13,726,727 during the year that had not been paid as at 30 June 2018. However, these balances were not reported as pending bills in the financial statements and there was no evidence that they had been re-budgeted in the year 2018/2019.
- iv) Total pending bills amounting Kshs.64,177,717 out of a total of Kshs.739,868,991 under the Department of Trade as reflected in the annex 1 to the financial statements in turn had bills amounting to Kshs.13,423,863 supported by local service orders, invoices, contract agreements, engineer's certificates, and inspection & acceptance reports leaving the balance of Kshs.50,753,854 unsupported.
- v) Included in the pending bills of Ministry of Lands is an amount of Kshs.8,433,000 out of a total of Kshs.739,868,991 in respect to M/s Syagga & Associates Limited which no proof of documentation was provided to warrant it being termed as a pending bill. Further, an amount of Kshs.10,564,623 out of a total of Kshs.739,868,991 payable to M/s Harrick Enterprises, only Kshs.1,790,000 was supported by LPOs, delivery notes.

In the circumstances, the accuracy and regularity of the pending bills totaling Kshs.274,812,326 could not be confirmed.

6. Irregular Expenditure

6.1 Branding of the County Government of Siaya

Included in the statement of receipt and payment are payments of Kshs.42,146,170 under Printing, Advertising and Information Supplies and Services which includes Kshs.8,827,600 paid to M/s Advertising Company on 20 March 2018 being 50% of contract sum of Kshs.17,655,200 for branding of the County Government of Siaya during the financial year 2016/2017. According to the contract agreement, the firm was to be paid as follows: 30% on the submission of a needs assessment report, communication strategy plan and media plan, while 50% on the erection of billboards and a final 20% upon successful completion of the final report.

Although, the County Government had obtained approvals from Kenya National Highway Authority to erect billboards subject to the payment of an annual fee of Kshs.990,000, there were no inspection and acceptance certificates to confirm that those billboards were erected.

In consequence, the validity of the expenditure of Kshs.Kshs.42,146,170 could not be confirmed.

7. Under Collection and Unaccounted for Revenue

- i. Note 10 to financial statements under own generated revenues reflects an amount of Kshs.127,729,540 against the amount collected in the previous year of Kshs.172,822,681 representing a drop in revenue collection by Kshs.45,093,141. Although section 63(2) of the regulations requires receivers of revenue who experiences difficulty in collecting revenues due to the County Government to report the circumstances to the County Executive Committee Member without delay. No explanations for the under collection of revenue has been given by the respective departmental heads.
- ii. The County did not maintain a cash book or carry out reconciliations of revenues reported in the monthly returns by the sub County revenue officers against the accountable documents issued to them as a result it was not possible to ascertain that revenue collected are fully accounted for.
- iii. Further, there is inconsistency in the reporting of revenue items in the financial statements where by revenue from Public Health Facility Operations is reported as nil in the current year financial statements while the previous year the balance reported was Kshs.58,068,452. Consequently, the accuracy and completeness of own generated revenues could not be confirmed.
- iv. The approved estimates passed by the County Executive in July 2017 includes revenue from local sources of Kshs.270,000,000 which was retained in the

supplementary estimates passed in December 2017. However, analysis from the revenue department indicate that only Kshs.152,247,163 was collected resulting to a deficit of Kshs.117,752,837. It was also noted that the amount collected as per the revenue report was not in agreement with the figure reported in the financial statements of Kshs.127,729,540 thus a difference of Kshs 24,517,623.

In view of the foregoing, the accuracy and completeness of the own generated revenue collected as at 30 June 2018 could not be ascertained.

8. Unauthorised Reallocation of Funds

The County Executive set aside Kshs.23,472,640 in the budget estimates during the year for the automation of revenue collection under an item described as purchase of ICT networking and communication equipment. However, these funds were irregularly utilized to pay for other items such as subscriptions to the Lake Region Economic Bloc, Kshs.2,000,000, Kshs.1,145,652 to the Council of Governors and per diem of Kshs.3,890,000 to the budget committee members all totalling Kshs.7,035,652. This is contrary to section 43(1) of the Public Finance Management Act, 2012, which requires that no funds shall be reallocated from the development vote except if it is meant to defray other development expenditure.

In the circumstances, the expenditure of Kshs. Kshs.7,035,652 has not been authorized.

9. Acquisition of Land

The County Government purchased land parcel number South Gem/Ndori/471 measuring 2 acres for the proposed construction of Akala Township Primary (ECD Unit) from Mr. Julius Limbe Rahudhi at a cost of Kshs.2,000,000. The vendor was paid Kshs.1,400,000 leaving a balance of Kshs.600,000 payable upon completion of the transfer of ownership. Although, the vendor had signed and submitted all the required transfer documents, the County Executive is yet to process title deed and clear the balance of Kshs.600,000 owed to the vendor, it was also noted that this has not been captured as a pending bill in the financial statements.

Consequently, the validity of the expenditure on acquisition of land and ownership of the land could not be confirmed.

10. Nugatory Expenditure

The County Government of Siaya undertook to carry out renovation works at the Campus of Odera Akong'o a satellite college of Moi University through an agreement of Memorandum of Understanding dated 14 March 2017 at a contract sum of Kshs.36,653,220 which was later reduced to Kshs.32,602,852. The renovation works was awarded to M/s Abelard Enterprises who was subsequently paid Kshs.13,910,411 on 22 April 2018 being the 1st Certificate for the renovation works. However, a visit to the Campus during the month of November 2018 revealed that students were withdrawn by the administration of Moi University Main Campus around month of May 2018 and no proper explanation was given for the withdrawal of the students.

Further, it was not clear why the County Government funded a National Government entity with funds that were not provided for in the budget.

Consequently, it was not clear how the County Government will benefit from this project and how it will recover Kshs.13,910,411 so far pumped into the project given that the going concern of the Campus is doubtful and no value for the money has been realized.

11. Unsupported Medical Equipment Leasing

According to Section 5(1) e on conditional allocations for leasing of medical equipment as set out in Column F of the Second Schedule, Kshs 95,744,681 was included in the budget estimates but no Intergovernmental agreement in line with Article 187 of the Constitution was made available for audit verification.

In consequence, the medical equipment leasing expenditure of Kshs.95,744,681 had not been supported as at 30 June 2018.

12. Unsupported Supply of ECD Furniture

The County procured furniture from Siaya County Medium and Small Enterprises(MSE) Umbrella Association at a cost of Kshs.65,056,861. However,

- i) The County did not provide tender documents showing how the supplier was identified and prices negotiated.
- ii) Part of furniture amounting to Kshs.29,999,340 was supplied through LPO No.1087641 and invoice No.024 in the year 2016/2017 and a further Kshs.35,000,000 paid to the supplier in the year 2017/2018. It was however noted that during the financial year 2017/2018, LPO No. 2282865 and Invoice No.026 of Kshs 35,000,000 dated 05 August 2017 and 06 September 2017 respectively did not have the breakdown of furniture supplied to ascertain what was delivered by supplier.
- iii) Although a distribution list was made available, there were no inventory listing from the schools confirming receipt of the furniture
- iv) The total expenditure under purchase of office furniture and institutional equipments for the two(2) financial year 2017/18 and 2016/2017 was only Kshs.18,694,542. It was therefore not clear how the County Government funded the ECD furniture.

Consequently, the validity and the propriety of the expenditure of Kshs.65,056,861 on furniture could not be confirmed.

Emphasis of Matter

1.1 Budgetary Performance and Control

The County Executive revenue was budgeted at Kshs.6,845,341,860 against the actual receipts of Kshs.6,002,059,085 representing an overall under collection of Kshs.843,282,775. This was mainly due to non-receipts of the exchequer from grants and under collection of local sources.

Further, the County Executive spent Kshs.1,042,117,153 on acquisition of assets against a budget of Kshs.2,245,609,099 representing under expenditure of Kshs 1,203,491,946 or 54%.

Receipts/Expenditure Item	Final Budget Kshs.	Actual Expenditure Kshs.	Absorption %
Receipts			
Exchequer Releases	6,076,218,818	5,874,329,546	97%
Roll over funds	499,123,042		
Own Sources Revenues	270,000,000	127,729,540	47%
Total Receipts	6,845,341,860	6,002,059,086	95%
Expenditure			
Compensation of employees	2,563,339,526	2,465,782,740	96%
Use of Goods and Services	1,143,949,107	999,811,682	87%
Transfers to other Govt Units	893,344,218	639,176,861	72%
Other Grants and Transfers	75,000,000	82,131,500	110%
Acquisition of Assets	2,245,609,099	1,042,117,153	46%
Other payments	-	2,515,505	
Total Payments	6,921,241,950	5,231,535,441	76%

1.2 Project Implementation Status

The County executive did not provide the status of all the projects implemented during the year as a result it was not possible to ascertain that all the projects were implemented within the specified period vis a vis approved budget and as per the terms specified in the contractual agreements.

1.3 Expenditure on Projects not in the Budget Estimates

The County Government incurred expenditure totalling to Kshs.170,037,193 under the department of Public Works, and Water being Kshs.168,689,631 and Kshs.1,347,562 respectively on items which were not in the 2017/2018 budget estimates as indicated in the table below. However, no evidence has been provided to indicate that relevant approvals were obtained from the County Executive as required. In the circumstances, the validity and the propriety of these expenditure could not be confirmed.

Department	Amount Kshs.	Remarks
Public Works and Transport	131,751,039	Expenditure on various road projects
Public Works and Transport	32,268,592	KRB road projects not in the work plan
Public Works and Transport	4,670,000	Excess vote on Fuel. Budget of Kshs.2,635,000 against actual expenditure of Kshs.7,305,000
Ministry of water	1,347,562	M/s Jacato-purchase and installation of submersible pump- budget Kshs.1,000,000 against actual of Kshs.1,850,000, Ms Nyanyaoga Agencies –pipeline extension to Kamin Oningo Village- budget Kshs 573,135, actual Kshs.1,070,697
Total	170,037,193	

1.4 Failure to Update Revenue Registers

Included in Note 10 of the financial statements is an amount of Kshs 37,189,412 received from single business permits and poll & plot rates against a budget allocation of Kshs77,341,230. However, revenue registers were not maintained to ascertain the amount invoiced, amount collected and outstanding balances as at 30 June 2018.

The County had also not updated a valuation roll to enable it identify rateable properties within its jurisdiction for the purpose of levying taxes. Consequently, the accuracy and completeness of the revenues collected could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Executive of Siaya 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 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. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

REPORT ON COMPLIANCE WITH COMPLIANCE WITH LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC MONEY

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

Basis for Conclusion

1. Accounts Payables

1.1 Unsupported Figure of Deposits and Retentions

The County Government recovered 10% retention money and 5% project management fee on payments made to contractors during the year totalling Kshs.63,029,602 but only deposited Kshs.11,052,745 to the retention bank account at the Central Bank leaving a balance of Kshs 51,976,857. The County was therefore in breach of the law.

1.2 Unremitted Withholding Tax

Included in annex 1 under pending bills is an amount of Kshs. 27,647,079 being withholding taxes deducted from suppliers but not remitted to Kenya Revenue Authority as at 30 June 2018. This is contrary to the provisions of the value added tax Act which requires withholding agents to deduct ten percent (10%) withholding tax from contractors and remit it to Kenya Revenue Authority before 10th of the next month.

Consequently, the County is in breach of the law.

2. Acquisition of Land

The County Government purchased land parcel number South Gem/Ndori/471 measuring 2 acres for the proposed construction of Akala Township Primary (ECD Unit) from Mr. Julius Limbe Rahudhi at a cost of Kshs.2,000,000. The vendor was paid Kshs.1,400,000 leaving a balance of Kshs.600,000 payable upon completion of the transfer of ownership. Although, the vendor had signed and submitted all the required transfer documents, the County Executive is yet to process title deed and clear the balance of Kshs.600,000 owed to the vendor, it was also noted that this has not been captured as a pending bill in the financial statements.

Consequently, the validity of the expenditure on acquisition of land and ownership of the land could not be confirmed.

3. Procurement of Receipt Books

The County Government procured receipt books from M/s Kanjira Press & General Equipment at a cost of Kshs.4,325,000 vide local purchase order No 2847258 & 2847259, invoice and delivery Note dated 6th December 2017. A payment of Kshs.4,100,000 was made to the supplier which was not supported by an inspection and acceptance report

indicating that the receipt books were delivered, recorded and accounted for. It was also noted that the local purchase order did not disclose the serial numbers of the accountable documents ordered and the delivery Note did not have serial numbers of receipt books delivered. This is contrary to Section 117(2) of the PFM County Government regulations which requires the accounting officer to keep his or her stock of accountable documents under lock and key, issuing them in accordance with the daily needs of the service, and keeping an accurate up-to-date record of their use by means of continuity control sheets. In the circumstances, it was not possible to confirm whether the receipt books procured were delivered and fully accounted for.

4. Payment of Legal Services

The County paid Kshs 9 million to M/s SO Madialo & Co Advocates being part payment of legal fee Note amounting Kshs.109,355,250 dated 11 February 2015 in respect of land dispute, case No Ksm HCC 105 of 2012, Walter Ominde versus Siaya County Council. According to the advocate, the fee note was calculated based on the value of the subject matter which was pegged at Kshs.4,860,000,000 as provided for in the advocate remuneration order No.40 rules 1 & 2 of the civil procedure rules 2010 sections 63(c) and of the Civil Procedure Act, 2010. The advocate bill of Kshs.109,355,250 also included an amount of Kshs.36,451,750 described as increase by half advocate-client that has not been justified.

The County legal department has also not provided documentation detailing the basis used to arrive at the value of the subject matter, a copy of the remuneration order, calculation of the fee, and the status regarding this case which has remained pending in court for six years was also not availed.

Consequently, the propriety and validity of the legal expenses could not be confirmed.

5. Under Receipt of Grants

The County allocated a total of Kshs.139,166,500 under conditional allocations to County Government Loans and Grants from Development Partners during the year but only Kshs.32,159,410 was received leaving a balance of Kshs.107,007,090. No explanations was provided for not receiving the full amount as budgeted for under the conditional funds.

6. Award of Contracts to Suppliers not in the Pre-qualification List

The County awarded contracts for the supply of goods, services and works under the Department of Public Works, Water & Environment and Education amounting to Kshs.48,296,092 to suppliers/contractors who were not among the prequalified list as a result the County was therefore in breach of the law.

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.

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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 audit procedures performed, except for the matter(s) described in the Basis for [Conclusion on Effectiveness of Internal Controls, Risk Management and Governance/Qualified Opinion] 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. Risk Assessment and Response

1.1. Failure to Establish Audit Committee

An assessment of the operations of the County Executive of Siaya revealed that the Management has not established the Audit Committee to date as required by the PFM Act, 2012 Section 73(5) and Regulations 2015. Consequently, the management is in breach of the regulations.

2. Failure to Automate the Revenue Collection

The County Government has not automated its revenue collection system in all of its sources of internally generated revenue such as Single Business Permits and Market dues which may result in risk of under banking of revenue and no clear picture of filing of the revenue collection sheets to indicates what is collected and making it difficult for bank reconciliation.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the County Executive of Siaya 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

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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 Siaya policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgment 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 of Siaya'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 of Siaya 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 of Siaya 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.

Handwritten signature of Edward R. O. Ouko in black ink.

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

Nairobi

29 January 2019