

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF TANA RIVER 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 Tana River set out on pages 1 to 48, which comprise the statement of financial assets and liabilities as at 30 June, 2019 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 the County Executive of Tana River 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 Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

1.1. Variances Between IFMIS Trial Balance, IFMIS Notes to the Financial Statements, and Financial Statement Figures

Comparison of figures presented in the financial statements and the trial balance generated from IFMIS revealed material variances between the two sets of records. Review of four components in the statement of receipts and payments revealed an amount of Kshs.4,039,917,911 in the financial statements against an amount of Kshs.2,887,791,152 in the IFMIS trail balance resulting to a variance of Kshs.1,152,126,759.

Consequently, the completeness and accuracy of payments figure amounting to Kshs.4,039,917,911 reflected in the statement of receipts cannot not be confirmed.

1.2. Inaccuracies in Bank Reconciliations

The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.229,290,521 as at 30 June, 2019. However, examination of cash books, bank statements and bank reconciliation statements for the bank accounts maintained for the period under review revealed the following anomalies: -

- i) According to bank reconciliation statement for Tana River County Revenue account, the adjusted cash book balance is Kshs.108,068,767. However, Exchequer requisitions amounting to Kshs.381,914,100 were incorrectly indicated in the reconciliation as payments in cash book not recorded in bank statements.
- ii) The bank reconciliation statement for Tana River recurrent account, reflects the adjusted cash book balance of Kshs.722,646. However, payments pending transmission and approvals amounting to Kshs.256,584,472 were incorrectly captured in cash book as paid.
- iii) The bank reconciliation statement for Tana River County Health conditional grant account adjusted cash book balance is Kshs.10,634,844. Payments pending approval amounting to Kshs.12,218,362 were incorrectly indicated as payments in cash book not recorded in bank statements.
- iv) The bank reconciliation statement for Tana River County development account adjusted cash book balance is Kshs.137,154. Payments pending transmission and approval amounting to Kshs.386,999,999 were incorrectly indicated as payments in cash book not recorded in bank statements.
- v) The bank reconciliation statement for Tana River County Road Maintenance Levy Fund account adjusted cash book balance is Kshs.1,294,405. Payments pending transmission amounting to Kshs.11,777,881 were incorrectly indicated as payments in cash book not recorded in bank statements.
- vi) The bank statements and reconciled cash book balances for the following bank accounts were not provided for audit review:
 - a) Tana River County Deposit account
 - b) Tana River County Standing Imprest account
 - c) Tana River County Revenue Collection account
- v) The Kenya Devolution Support Programme account with a balance of Kshs.3,912,330 had not been supported with bank statements, cash books, certificate of bank balances and bank reconciliation statements.

In view of the above, it has not been possible to confirm that the cash and cash equivalents balance of Kshs.229,290,521 as at 30 June, 2019 is fairly stated.

2. Inaccuracies in the Statement of Cash flows

The statement of cash flows reflects net cash flows from operating activities, investing activities and financing activities of Kshs.1,144,525,045, negative Kshs.1,990,073,263 and Nil respectively. This resulted in net increase in cash and cash equivalents of negative Kshs.845,548,218 as at 30 June, 2019 against a net increase in cash and cash equivalents of Kshs.914,009,282 reflected in the cash flow statement resulting to an unreconciled difference of Kshs.68,461,063.

Similarly, the total payments from operating expenses reflects a figure of Kshs.4,024,495,407 while recasting of the figures reveals a total of Kshs.4,092,956,471 leading to an unexplained variance of Kshs.68,461,063.

In view of the above it has not been possible to confirm that the cash and cash equivalents balance of Kshs.229,290,521 as at 30 June, 2019 is fairly stated.

3. Budget Variances

The approved supplementary budget for the County Executive reflected an amount of Kshs.7,573,363,872 for the year ended 30 June, 2019. However, a review of the statement of appropriation (recurrent and development combined) reflects an amount of Kshs.6,276,322,207 as the final budget resulting to an unexplained variance of Kshs.1,297,785,524.

In addition, a comparison between the statement of appropriation (recurrent and development combined) and the Budget Execution Programme showed variances between the final budget and the actual on comparable basis with a final budget figure of Kshs.6,276,322,207 against a balance of Kshs.7,127,528,690 leading to a variance of Kshs.851,206,483. Also, the statement of appropriation reflected an actual figure of Kshs.6,083,029,734 against an actual figure of Kshs.5,081,411,269 under budget by programme and sub programme leading to a variance of Kshs.1,001,618,465. The variances were not explained or reconciled and the approval by the County Assembly in support of the variances was not availed for audit verification.

Consequently, it was not possible to ascertain the accuracy of the budget figures indicated in the financial statements.

4. Un-Explained Adjustments

Note 12 and 17 to the financial statements reflects amounts of Kshs.1,436,298,631 and Kshs.1,990,073,263 for use of goods and services and for acquisition of assets respectively. However, audit scrutiny of the ledgers and schedules supporting the financial statements for the year under review revealed unexplained adjustment of Kshs.68,172,770 which constitutes Kshs.35,262,162 for use of goods and services and Kshs.32,910,608 for acquisition of assets. The ledgers did not indicate names of the payees, payment voucher numbers, the accounts charged for the payments or the description of the payments hence making it difficult to understand the nature and purpose of the expenditure.

In the circumstances, it was not possible to confirm the accuracy of Kshs.1,436,298,631 and Kshs.1,990,073,263 on use of goods and services and acquisition of assets respectively for the year ended 30 June, 2019.

5. Irregular Re-Allocation of Funds

Review of the ledgers/schedules supporting the financial statements and examination of payment vouchers revealed expenditure amounting to Kshs.247,021,723 out of which Kshs.188,444,386 was incurred in respect of use of goods and services and

Kshs.58,577,609 for acquisition of assets. However, these expenditures were re-allocated to other components in contravention of section 47(1)(e) of the Public Finance Management (County Governments) Regulations, 2015 which states that allocations earmarked by the County Treasury for a specific purpose may not be used for other purposes except with the Treasury's approval. The re-allocations were not approved by the County Assembly as required by Section 48 of the Public Finance Management (County Governments) Regulations, 2015.

Consequently, the regularity of the expenditure of Kshs.247,021,723 on use of goods and services and acquisition of assets during the year could not be ascertained.

6. Payments Without Clear Description

Scrutiny of the ledgers/schedules supporting the financial statements and examination of payment vouchers revealed expenditure amounting to Kshs.100,450,797 in respect of use of goods and services of Kshs.10,864,921 and acquisition of assets of Kshs.89,585,876 for the year under review. However, there was no proper description showing nature and purpose of payment made making it difficult to ascertain the authenticity of the transactions.

In the circumstances, it was not possible to confirm the legality of the expenditure of Kshs.100,450,797 for the year 30 June, 2019.

7. Unsupported Expenditure

7.1 Unsupported Compensation of Employees

The compensation of employees reflects Kshs.1,482,807,360 for the year under review. However, a review of the monthly Integrated Payroll and Personnel Data (IPPD) and excel payroll summaries indicated a total expenditure of Kshs.1,416,559,887 resulting to an unexplained variance of Kshs.66,247,473 between the two sets of documents.

Consequently, the accuracy, completeness and validity of the compensation of employees' figure of Kshs.1,482,807,360 for the year ended 30 June, 2019 could not be confirmed.

7.2 Un-Supported Expenditure on Use of Goods and Services

The statements of receipts and payments and Note 12 to the financial statements reflects use of goods and services figure of Kshs.1,436,298,631. A review of the expenditure records availed for audit review revealed that an amount of Kshs.103,179,714 was not supported with the relevant documents. Although the payment vouchers were availed for audit review, there were no supporting documents attached to confirm the items paid. Also, payments of Kshs.15,920,300 was spent on various items which were not supported with payment vouchers and other relevant documents to confirm the use of the funds. This is contrary to Section 104(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that all receipts and payment vouchers of public moneys shall be properly supported by the appropriate authority and documentation.

Consequently, it was not possible to confirm the validity of expenditure amounting to Kshs.103,179,714 and Kshs.15,920,300 on goods and services for the year ended 30 June, 2019.

7.3. Unsupported Rentals of Produced Assets

Included in the use of goods and services figure of Kshs.1,436,298,631 under Note 12 to the financial statements is an amount of Kshs.26,271,800 incurred on hire of motor vehicles. However, review of the expenditure revealed that various relevant documents including lease approvals, quotations, lease agreements and logbooks were not provided for audit review to support the expenditure.

In the circumstances, the validity of the expenditure on hire of motor vehicles of Kshs.26,271,800 for the year ended 30 June, 2019 could not be ascertained.

8. Un-Supported Payments on Acquisition of Assets

Note 17 to the financial statements reflects an acquisition of assets figure of Kshs.1,990,073,263 as at 30 June, 2019 which in turn includes Kshs.102,758,705 which however was not supported with the relevant supporting documents such as requisitions from user departments, invoices, and professional opinion. In addition, there were no certificates of completion.

In the circumstances, the accuracy and completeness of the expenditure for acquisition of assets of Kshs.102,758,705 as at 30 June, 2019 could not be confirmed.

9. Irregular Payment of Allowances

Included in the use of goods and services figure of Kshs.1,436,298,631 under Note 12 to the financial statements for the year under review is an expenditure of Kshs.351,295,869 incurred on domestic travel and subsistence and other transportation costs. However, an audit review of the expenditure and other supporting records revealed that an amount of Kshs.29,262,940 was paid to Officers who attended workshops and seminars which were fully sponsored by the organizers.

In the circumstances, the regularity of Kshs.29,262,940 expensed on domestic travel and subsistence and other transport costs for the year ended 30 June, 2019 could not be ascertained.

10. Un-Accounted for Funds for Development Projects

The County Executive allocated Kshs.2,729,223,664 for implementation of development projects in the County. This included Kshs.641,587,891 for settlement of pending bills, Kshs.153,571,894 for roads maintenance levy fund pending bills and Kshs.1,934,063,879 for implementation of new projects during the year. The Management was able to support expenditure of Kshs.178,335,896 resulting to a difference of Kshs.1,755,727,983 which could not be supported.

In the circumstances, the validity and the authenticity of the amount of Kshs.1,755,727,983 allocated to new projects for the year ended 30 June, 2019 could not be ascertained.

11. Unauthorised Expenditure on Rehabilitation of Civil Works Without Budgetary Provision

The statement of receipts and payments reflects rehabilitation of civil works figure of Kshs.388,956,268 as at 30 June, 2019. Review of the supplementary budget estimates revealed that there was no provision for rehabilitation of civil works in the budget. This is contrary to the provisions of Section 42(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which provides that an Accounting Officer shall ensure that public funds entrusted to their care are properly safeguarded and are only applied for the purposes for which they were intended and appropriated by the County Assembly.

Consequently, the Management is in breach of the Law.

12. Non-Preparation of Fund Accounts

The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.229,290,521 as at 30 June, 2019. Included in this balance is an amount of Kshs.98,432,699 for a fund and projects accounts as listed below.

Account	Account Type	Balance as at 30 June, 2019 Kshs.
Tana River County Kenya Climate Smart Agriculture Project - 1000365862	Grants with separate financial statements	8,196,940
Tana River County KCSAP - 1000386118	Grants with separate financial statements	3,912,330
IDEAS LED Project Account - 1240740387	Grants with separate financial statements	653,499
Tana River County IDEAS LED Milk Project - 1253298769	Grants with separate financial statements	40,683,670
Tana River County IDEAS LED Fish Project - 1253299730	Grants with separate financial statements	44,565,022
Tana River Ward Bursary Fund account - 1166389197	County Executive Fund with separate financial statements	421,238
Total		98,432,699

It was noted that the accounts had separate books of accounts and separate financial statements prepared and, therefore, the balances should have been reported separately from the County Executive's financial statements.

Consequently, the accuracy of the cash and cash equivalents balance of Kshs.229,290,521 as at 30 June, 2019 could not be confirmed.

13. Un-Supported Pending Bills

Annex 2 and other important disclosures to the financial statements disclosed pending bills amounting to Kshs.2,421,197,210 as at 30 June, 2019. However, a review of the pending bills revealed the following anomalies: -

- i) The disclosure was not done in accordance with current financial statements reporting templates which requires entities to disclose the opening balances of the pending bills, additions for the period, pending bills paid during the year and the closing balances. The Management has disclosed only the opening and the closing pending bills balances.
- ii) The analysis of the pending bills did not disclose the period the pending bill relate to. Details of the goods, works and services delivered/rendered were also not disclosed.
- iii) The Executive did not maintain creditors ledgers showing creditors movement from Kshs.1,671,114,308 as at 30 June, 2018 to Kshs.2,421,197,210 reported in the year ended 30 June, 2019

In the circumstances, the accuracy, completeness and existence of the pending bills balance of Kshs.2,421,197,210 as at 30 June, 2019 could not be ascertained.

14. Inaccuracies in Fixed Assets Register

The County Executive procured ten (10) agricultural tractors at a contract sum of Kshs.43,630,710. However, a review of the financial statements revealed that the expenditure was not reported under acquisition of assets in Note 17 to the financial statements. No reason was given for not reporting the expenditure as part of the acquisition of assets.

In addition, Annex 5 to the financial statements reflects total fixed assets balance of Kshs.3,315,037,522 as at 30 June, 2019 comprising of eight classes of fixed assets. However, the assets register provided for audit review was not properly updated and the following anomalies were noted: -

- i) The total cost for each class of assets was not indicated
- ii) The cost column for most of the assets had no amounts indicated
- iii) The date of acquisition for all the recorded assets were not indicated
- iv) The specific location of the recorded assets was not indicated
- v) The assets were not recorded together under the respective classes of assets but instead they were recorded per departments.

Consequently, the completeness and accuracy of the assets register as at 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Executive of Tana River Management 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 Matter

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 are no key audit matters to communicate in my report.

Other Matter

1. Under-Absorption of Budgetary Allocation

The statement of appropriation (recurrent and development combined) reflects budget estimates of Kshs.6,276,322,207 for the year ended 30 June, 2019. However, the Executive had an actual expenditure of Kshs.6,083,029,734 resulting to a variance of Kshs.193,292,473. No explanation was given for under-absorption of budgetary funds.

The underutilization of the budget may have negatively impacted on the service delivery to the County residents.

2. Prior Year Audit Matters

In the audit report of the previous year, several paragraphs were raised under 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, although the Management has indicated that the issues have been responded to, the matters have remained unresolved as the Senate has not deliberated on the same.

3. Failure to Establish Sector Working Groups

During the 2018/2019 budget cycle, the Executive did not establish sector working groups and the budget estimates submitted to the County Treasury did not take into consideration the sector reports contrary to Section 30(1) of the Public Finance Management (County Governments) Regulations, 2015. The Management had also not put in place mechanisms to ensure that sector working groups were not constituted.

Consequently, the Management was in breach of the Public Finance Management Regulations.

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 else 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. Purchase of Vehicles and Other Transport Equipment

Included in acquisition of assets figure of Kshs.1,990,073,263 under Note 17 to the financial statements is Kshs.366,328,745 incurred on purchase of vehicles and other transport equipment. However, examination of payment documents and other supporting documents availed for audit review revealed that the County Executive paid an amount of Kshs.271,933,695 to various suppliers for the supply and delivery of firefighting equipment, borehole rigs and water bowzers. The following anomalies were however observed: -

1.1 Supply, Delivery and Commissioning of Four (4) Fire Fighting Equipment

During the financial year 2017/18, the County Executive initiated procurement of four (4) firefighting equipment through tender No. TRCG/R&PW/132/2017-2018 at a contract sum of Kshs.209,822,960. The firefighting equipment were procured through open tender. However, it was observed that the County Executive entered into unfavorable contract agreement with the supplier as 90% of the contract sum was to be paid to the supplier at various stages before the actual delivery of the equipment. An amount of Kshs.41,964,592 was paid during the financial year 2017/2018. The Management made additional payment of Kshs.164,081,555 representing 98% of the contract price to the supplier during 2018/2019 financial year bringing the total payment to the supplier to Kshs.206,046,147. The payments were however made before the Ministry of Transport, Infrastructure, Housing and Urban Development inspected the equipment and before the Taking Over Certificate and final acceptance were issued as required by the contract agreement.

In the circumstances, it was not possible to establish that value for money was achieved through payment of Kshs.206,046,147 for the procurement of firefighting equipment.

1.2 Supply and Delivery of Five (5) Water Bowzers

During the year ended 30 June, 2018, the Executive initiated procurement of five (5) water bowzers through tender No. TRCG/05/2017/2018 at a contract price of Kshs.85,509,400. The vehicles were procured through open tender and advertised in the County's website. However, the Management made payment of Kshs.51,000,000 for the financial year 2017/2018 and the remaining balance of Kshs.34,509,400 was paid in the year ended 30 June, 2019. Audit review of the bills of quantities for all unsuccessful bidders showed the same handwriting, an indication that they could have been filled by the same person. It was therefore not possible to confirm whether competitive bidding was used to procure the vehicles. In addition, although the County Executive made full payment to the contractor, the vehicles supplied were not inspected by the Ministry of Transport, Infrastructure, Housing and Urban Development to confirm vehicles with right specifications were delivered.

In the circumstances, it was not possible to establish that value for money was achieved through payment of Kshs.85,509,400 for the procurement of the water bowsers.

1.3. Supply and Delivery of Three (3) No. Trucked Mounted Borehole Rig Equipment

During the year ended 30 June, 2018, the County Executive initiated procurement of one (1) borehole rig equipment through tender No. TRCG/ADMIN/131/2017/2018 at a contract sum of Kshs.73,342,740. The rig equipment were procured through open tender. However, a review of the bills of quantities, tender opening minutes and evaluation report presented for audit review revealed that, three bidders participated in the procurement process. It was also noted that the evaluation Committee Members did not sign the evaluation report as required by section 80(7) of the Public Procurement and Asset Disposal Act, 2015. In addition, the Management in a letter Ref. No. TRCG/R&PW/TRANS/VOL.I (7) dated 12 February, 2019 requested the Ministry of Transport, Infrastructure, Housing and Urban Development to inspect the vehicles and the same was done on 26 February, 2019. However, the County Executive had made full payment to the supplier on 01 February, 2019 before the vehicles were inspected.

In the circumstances, it was not possible to establish whether value for money was achieved through payment of Kshs.73,342,740 for the procurement of the borehole rigs.

2. Unsupported Construction of County Headquarters and Other Buildings

Included in the acquisition of assets figure of Kshs.1,990,073,263 under Note 17 to the financial statements is an amount of Kshs.274,734,449 incurred on construction of buildings. However, audit of the expenditure and other supporting documents revealed that projects worth Kshs.29,679,003 were not supported with relevant project files containing details of the tender documents. Further, a review of the contract documents for the construction of the County Executive's Headquarter indicated that 10% of the contract price which is equivalent to Kshs.49,526,875 was paid as advance payment. However, a site visit made in the month of September, 2019 revealed that the contractor was not on site and there was no evidence of any work. According to the contract documents the project was to start on 18 June, 2019 but the contractor was not on site.

Consequently, the accuracy and completeness of the expenditure of Kshs.49,526,875 on the construction of the County Headquarters for the year ended 30 June, 2019 could not be confirmed.

3. Stalled Project - Rehabilitation of Village 4 – Bura East Road

During the financial year 2017/2018, the County Executive entered into a contract for rehabilitation of Village 4 to Bura East road, in Bura Sub-County at a total contract price of Kshs.7,344,772. In January, 2019, the County Executive paid Kshs.2,100,036 representing 29% of the total contract price to the company being payment for

certificate No.1. Physical verification carried out in the month of September 2019 revealed that only grading of the road had been done. The gravelling of the road worth Kshs.3,600,000 and culvert installation worth Kshs.1,120,000 reflected in the Bills of Quantities had not been done and the contract period had expired on 23 July, 2018. It was further noted that at the time of audit verification, the contractor was not on site.

In the circumstances, value for money has not been realised in the expenditure of Kshs.4,720,000 for rehabilitation of village 4 – Bura East road.

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 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 else 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. Weakness in Internal Controls

Audit review of the processing of expenditure and payment vouchers for the County Executive revealed weaknesses in enforcement of internal controls on payments and in the Treasury's cash office with the following anomalies being noted: -

- i) An amount of Kshs.200,017,225 was paid without completing the vote book control certificate.
- ii) The County Treasury made payments of expenditure worth Kshs.2,862,543 without the authority of the AIE holder.
- iii) Expenditure amounting Kshs.3,975,992 was paid without examination of the payment vouchers.

In view of the above anomalies, the treasury operates without strong internal controls and could lead to fictitious expenditure payments.

2. Weaknesses in Internal Controls on Fuel

A review of payments for fuel indicated that there were instances where officials of the County Executive purchased fuel using cash and later sought for reimbursement of the same. It was further noted that controls were not enforced to ensure that fuel is recorded in work tickets.

As a result of weak controls on purchase and use of fuel, it was difficult to confirm whether the fuel was actually purchased and used for official purpose.

3. Lack of an Effective Internal Audit Unit

The County Executive had established an Internal Audit Unit. However, the unit is staffed with two senior officers a director and a deputy director. Since the unit is not well staffed, it only produced four reports for the year under review. The internal audit department as currently established cannot effectively carry out its function.

Under the circumstances, the effectiveness of the internal audit unit could not be ascertained.

4. Failure to Establish an Audit Committee

The County Executive had not established an Audit Committee contrary to Section 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires County Government entities to establish Audit Committees in accordance with prescribed regulations to monitor the entities governance process, accountability process and control systems, offer objective advice on issues concerning risk, control, regulatory requirements and governance of the County Executive and also to follow up on the implementation of the recommendations of the internal and external auditors.

Consequently, Management was in breach of the Government regulations

5. Lack of a Disaster Recovery Plan

During the year under review, it was observed that the County Executive did not have a disaster recovery plan. During the year under review, there were several power outages and disruptions. Such disruptions could lead to disruption to the ICT system and operations.

The lack of a disaster recovery plan may affect the operations of the County Executive and its ability to recover or restore critical infrastructure services and systems affecting all operations that rely on the information communication technology.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires 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, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the County Executive's ability to continue to sustain 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 to 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 financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. 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 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 to 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
AUDITOR-GENERAL

Nairobi

04 February, 2021