

# REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF GARISSA FOR THE YEAR ENDED 30 JUNE, 2020

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## REPORT ON THE FINANCIAL STATEMENTS

### Qualified Opinion

I have audited the accompanying financial statements of County Assembly of Garrisra set out on pages 1 to 21, which comprise the statement of financial assets and liabilities as at 30 June, 2020 and the statement of receipts and payments, statement of cash flows and 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 Assembly of Garissa as at 30 June, 2020 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 the Public Finance Management Act, 2012.

### Basis for Qualified Opinion

#### 1.0 Unsupported Expenditure

The statement of receipts and payments and as disclosed under Note 3 to the financial statements reflects an amount of Kshs.225,436,983 in respect of use of goods and services. Included in this amount is Kshs.134,188,898 in respect of domestic travel and subsistence, Kshs.3,960,000 in respect of produced assets and Kshs.16,224,150 in respect of other operating expenses as at 30 June, 2020. However, audit review of the payment records and other supporting documents revealed that expenditure amounting to Kshs.12,467,000 relating to the three components had the following anomalies;

- (i) They were not supported by relevant documents including traveling documents, invitation letters, workshop/activity programs, nomination letters to the participating staff and attendance registers for payments of subsistence allowances.
- (ii) There were no lease agreements and valuation reports for rental expenditure incurred for the period under review.
- (iii) Proof of request and authorization for hire of security officers were not used to support the expenditure.
- (iv) There were no signed schedules for the other operating expenses.

Consequently, the accuracy and completeness of the expenditure of Kshs.225,436,983 in respect of use of goods and services could not be confirmed.

## **2.0 Unauthorised Re-Allocation of Funds**

The statement of receipts and payments and as disclosed under Note 5 to the financial statements reflects an amount of Kshs.21,272,731 in respect of acquisition of assets. Included in this amount is Kshs.7,022,731 incurred on purchase of furniture and equipment out of which an amount of Kshs.377,900 was used to pay expenditure on supply of sanitary items. Although it was explained that this was an emergency procurement due to Covid19 pandemic, Management did not provide evidence of approval by the Accounting Officer.

In view of the foregoing, the validity of the expenditure of Kshs.377,999 on sanitary items as at 30 June, 2020 could not be confirmed.

## **3.0 Irregular Contributions and Annual Subscriptions**

The statement of receipts and payments and as disclosed under Note 3 to the financial statements reflects an amount of Kshs.225,436,983 in respect of use of goods and services. Included in this amount is Kshs.16,224,150 in respect of other operating expenses which in turn includes payment of Kshs.4,400,000 made to the County Assemblies Forum. However, Management did not provide evidence in support of the payment to the County Assemblies Forum.

In the circumstances, the validity of the expenditure of Kshs.4,400,000 to the County Assemblies Forum as 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Assembly of Garissa 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 Matters**

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

### **Other Matter**

### **Budget Control and Performance**

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.756,402,040 and Kshs.745,000,000 respectively resulting to an under-funding of Kshs.16,402,040 or 2% of the budget. Similarly, the County Assembly expended Kshs.744,862,452 against an approved budget of Kshs.756,402,040 resulting to an under-expenditure of Kshs.11,539,588 or 1.5% of the budget.

Further, the County Assembly incurred over-expenditure on compensation of employees and acquisition of assets totalling to Kshs.1,078,520 as analysed below:

<b>Audit Components</b>	<b>Current year Final Budget (Kshs.)</b>	<b>Actual Expenditure (Kshs.)</b>	<b>Over-Absorption (Kshs.)</b>
Compensation of Employees	493,448,309	494,152,738	704,429
Acquisition of Assets	20,898,640	21,272,731	374,091
<b>Total</b>	<b>756,402,040</b>	<b>744,862,452</b>	<b>1,078,520</b>

Management did not provide the approval from the County Assembly for the over-expenditure.

Consequently, the Assembly was in breach of the law.

## 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 matter 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

#### Failure to Implement E-procurement

Review of the County Assembly procurement transactions for the 2019/2020 financial year revealed that the County Assembly processed the procurement of goods, works and services manually and not through the e-procurement platform. This was contrary to Executive Order No. 2 of 2018 which required all public entities to undertake all procurements through e-procurement module with effect from 1 January, 2019.

In view of the above finding, the County Assembly was in breach of the Executive Order No. 2 of 2018.

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 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**

### **1.0 Failure to Update Assets Register**

During the year ended 30 June, 2020, the County Assembly maintained a fixed assets register. However, the register did not have a provision for additions and disposals of assets making it difficult to update the register for additions to the existing assets or disposal of assets when such updates were required.

In the absence of proper ownership documents and complete asset register, security of the fixed assets may not be guaranteed.

### **2.0 Lack of Approved Internal Audit Charter**

A review of the governance structures in the Assembly, revealed that the Assembly does not have an approved internal audit charter that spells out the internal audit purpose, authority and responsibility.

In the absence of an internal audit charter the internal audit unit may not be effective.

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 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 County Assembly'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 Assembly 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 manner.

Those charged with governance are responsible for overseeing the County Assembly's 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 review is planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the County Assembly's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 Assembly'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 Assembly 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 Assembly to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**03 November, 2021**