

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

---

## **REPORT ON THE FINANCIAL STATEMENTS**

### **Qualified Opinion**

I have audited the accompanying financial statements of County Assembly of Kajiado set out on pages 1 to 31, 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, statement of comparison of budget and actual amounts and summary of significant accounting policies and other explanatory information in accordance with the provision of Article 229 of the Constitution of Kenya and Section 35 of the Public 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 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 Kajiado as at 30 June, 2020 and of its financial performance and its cashflow for the year then ended in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with County Governments Act, 2012 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1.0 Variances Between Financial Statements and IFMIS Figures**

The statement of receipts and payments for the year ended 30 June, 2020 reflects total expenditure of Kshs.644,771,623. Included in this expenditure is Kshs.374,041,437 in respect of use of goods and services as disclosed under Note 5 to the financial statements. This differs from the IFMIS ledger amount of amount of Kshs.309,158,196 resulting to an unexplained and unreconciled variance of Kshs.64,883,241.

Consequently, the accuracy and completeness of the expenditure of Kshs.374,041,437 in respect of use of goods and services for the year ended 30 June, 2020 could not be confirmed.

#### **2.0 Inaccuracies in Cash and Cash Equivalents**

The statement of financial assets and liabilities and as disclosed under Note 8 to the financial statements reflects cash and cash equivalents balance of Kshs.10,071,385 as at 30 June, 2020. This excluded the brought forward fund balance of Kshs.11,517,387. Consequently, the accuracy, completeness and fair statement of the cash and cash equivalents balance of Kshs.10,071,385 as at 30 June, 2020 could not be confirmed.

#### **3.0 Fixed Asset Register**

Included in Annex 4 to the financial statements is a summary of fixed assets register with assets balance of Kshs.306,324,421 as at 30 June, 2020. However, during the year under review, the County Assembly did not maintain up to date assets register.

Consequently, the accuracy, completeness and ownership of the fixed assets balance of Kshs.306,324,421 as at 30 June, 2020 could not be confirmed.

#### **4.0 Irregular Subscriptions to the Society of Clerks at the Table (SOCATT) and County Assembly Forum**

The statement of receipts and payments for the year ended 30 June, 2020 reflects of Kshs.374,041,437 in respect of use of goods and services. Included in this amount is Kshs.66,638,667 relating to other operating expenses which in turn includes Kshs.500,000 paid as subscription fees to the Society of Clerks at the Table (SOCATT) and Kshs.500,000 paid to County Assembly Forum. However, there was no legislation or policy in place to authorize such subscriptions and to justify the payments.

In the circumstances, the validity of the expenditure on subscription fees of Kshs.1,000,000 for the year ended 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 Kajiado 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 period under review.

#### **Other Matter**

##### **1.0 Budgetary Control and Performance**

The statement of appropriation-recurrent and development combined reflects final budget expenditure and actual on comparable basis of Kshs.785,759,406 and Kshs.644,771,623 respectively resulting in under-absorption of Kshs.140,987,783 or 18% of the budget. The budget under-utilization mainly occurred under acquisition of assets. This implies resources earmarked for development activities were lying idle. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

## **2.0 Delayed Exchequer Release**

The County Assembly received exchequer releases amounting to Kshs.645,016,148. Included in this amount is Kshs.232,388,635 received between during the month of June, 2020. The delay in disbursements of funds by The County Treasury adversely affected delivery of services to the residents.

## **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**

#### **1.0 Non-Compliance with Law on Ethnic Composition**

A review of Human Resource records maintained by the Assembly revealed that the Assembly had eighty-two (82) employees as at 30 June, 2020 out of which seventy-nine percent (79%) were from the dominant community. This was contrary to the provisions of Section 65(1)(e) of the County Governments Act, 2012 which requires the County Public Service Board to ensure that at least thirty percent (30%) of the vacant posts at the entry level are filled by candidates who are not from the dominant ethnic community. Consequently, the County Assembly Management was in breach of law.

#### **2.0 Non-Compliance with the Law on Fiscal Responsibility - Wage Bill**

During the year under review the County Assembly spent Kshs.246,049,065 on compensation of employees being 38% of total County revenue of Kshs.645,016,148. This is contrary to the provisions of Regulation 25(1) (a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which limits the County Executive's expenditure on wages and benefits to not more than 35% of the total revenue for the year.

Consequently, Management is 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.

## 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, 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**

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, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the County Assembly's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the 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 way.

Those charged with governance are responsible for overseeing the County Assembly's financial reporting process, reviewing the effectiveness of how the Management 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 County Assembly 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.



**CPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**03 December, 2021**