

# **REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF MAKUENI 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 Makueni set out on pages 1 to 30, which comprise the statement of financial assets and liabilities as at 30 June, 2020, and statement of receipts and payments, statement of cash flows and the statements of comparison of budget and actual amounts: 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 Makueni 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 Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Unconfirmed Balances**

The financial statements contain the following discrepancies:

##### **1.1. Cash and Cash Equivalents**

The statement of financial assets and liabilities reflects cash and cash equivalents account balance totalling Kshs.5,829,095 as at 30 June, 2020. The balance, however, differs with the sum of Kshs.5,667,670 reflected in respect to the account in the statement of cash flows. The difference amounting to Kshs.161,425 between the two sets of records has not been explained.

In addition, the statement of cash flows reflects net cash flows from operating activities totalling Kshs.61,361,617. However, a recast of the account balances included therein yields a sum of Kshs.62,361,617 resulting to an unexplained variance of Kshs.1,000,000. In the circumstances, the accuracy of the reported cash and cash equivalents, and the cash from operating activities balances reflected in the financial statements could not be confirmed.

##### **1.2. Variances Between Financial Statements and IFMIS Balances**

Examination of balances reflected in the financial statements and the Integrated Financial Management Information System (IFMIS) records as at 30 June, 2020 revealed an

aggregate net credit variance of Kshs.2,934,433,426 arising from differences in various account balances reflected in the two sets of records, as shown in the Appendix to this report.

In view of these discrepancies, the accuracy and completeness of the financial statements for the year ended 30 June, 2020 could not be confirmed.

## **2. Unconfirmed Expenditures**

Domestic and foreign travel expenses totalling Kshs.1,591,734 included in the use of goods and services payments balance totalling Kshs.335,149,955 reflected in the statement of receipts and payments, and further disclosed in Note 5 to the financial statements, were not adequately supported with appropriate records:

### **2.1. Domestic Travel**

Note 5 to the financial statements reflects domestic travel and subsistence expenditure totalling Kshs.88,767,265 which includes a sum of Kshs.1,263,600 spent by Members of the County Assembly Service Board (CASB) on travel to Mombasa. However, the documents that supported the payment indicated that the imprests were approved for travel to Nairobi and Kisumu for a benchmarking assignment. There was no indication that the Accounting Officer approved the change in the itinerary. In addition, the nature of the assignment carried out by the Board in Mombasa was not disclosed

### **2.2. Foreign Travel**

Note 5 to the financial statements, further reflects foreign travel and subsistence allowances payments totalling Kshs.13,140,467 which include subsistence allowances totalling Kshs.228,134 paid to a Member of the County Assembly (MCA) in December, 2019. The supporting records indicated that the allowances were paid for travel to Kampala, Uganda, to participate in the East African Legislative Assembly (EALASCA) games between 1 and 8 August, 2019. However, documents on the Officer's travel and attendance at the event were not presented for audit.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Assembly of Makueni 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. I have determined that there were no key audit matters to report in the year under review.

## 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, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

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 comply, 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 else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not 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 overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and those charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 overall 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 applicable basis of accounting unless Management is aware of the intention to dissolve the County Assembly.

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.

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

### **Auditor-General's Responsibilities for the Audit**

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism 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 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**

**21 October, 2021**

### Appendix: Variances between Financial Statements and IFMIS Balances

Item	Balance		Variance (Kshs.)
	Financial Statements (Kshs.)	IFMIS Balances (Kshs.)	
Compensation of Employees	346,239,807	296,535,316	49,704,491
Use of Goods and Services	335,149,955	328,407,936	6,742,019
Social Security Benefits	20,205,841	18,829,464	1,376,377
Acquisition of Assets	64,687,225	67,939,654	(3,252,429)
Finance Costs	0	1,258,140	(1,258,140)
Bank Balances	5,829,095	10,009,823	(4,180,728)
Cash Balances	0	2,968,286	(2,968,286)
Accounts Receivables - Outstanding Imprests	0	30,720,702	(30,720,702)
Accounts Payable - Deposits and Retentions	5,424,295	3,781,947,206	(3,776,522,911)
Fund Balance Brought/Forward	378,489	(826,268,395)	826,646,884
<b>Total</b>	<b>777,914,707</b>	<b>3,712,348,132</b>	<b>(2,934,433,425)</b>