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

REPORT ON THE FINANCIAL STATEMENTS

### Qualified Opinion

I have audited the accompanying financial statements of County Executive of Garissa set out on pages 1 to 61, which comprise the statement of assets and liabilities as at 30 June, 2020, statement of receipts and payments, statement of cash flows, and the 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 Executive 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 Variances between IFMIS and Financial Statements' Balances

A review of the financial statements presented for audit reflected total receipts of Kshs.7,638,671,267 and total expenditures of Kshs.8,269,376,726. However, the statement of receipts and payments in IFMIS reflected a total expenditure of Kshs.6,998,357,350 and Nil receipts resulting in an unexplained and unreconciled variance of Kshs.7,638,671,267 for receipts and Kshs.1,271,019,376 for expenditure respectively.

In view of the foregoing, the accuracy of the financial statements for the year ended 30 June, 2019 could not be ascertained.

### 2.0 Unsupported Own-Generated Receipts

The statement of receipts and payments for the year ended 30 June, 2020 and Note 4 to the financial statements reflect own-generated revenue of Kshs.109,915,818. Review of the revenue records provided for audit established the following anomalies:

(i) The Department of Agricultural Machinery Services (AMS) banked Kshs.533,000 being revenue for machinery hired. However, the documentation to determine the rates charged and the receipt books used to collect the revenue were not provided for audit review.

(ii) Included in the own generated revenues is an amount of Kshs.4,620,001 collected from the slaughterhouse services and banked in the revenue account. However, the revenue collection from the slaughter house was outsourced but no formal agreement was provided for audit between the outsourced revenue collector and Management. Further, Management did not deposit into the County Revenue Account revenue collected during the months of May and June, 2020 but used it at source,

(iii) Review of Integrated Payroll and Personnel Database (IPPD) payroll summaries revealed that Kshs.1,857,900 was deducted from staff salaries of those occupying county houses. However, the amount deducted was not recognized as revenue and was not transferred to the County Revenue Fund Account.

In the circumstances, the accuracy and completeness of own generated revenue amount of Kshs.109,915,818 as at 30 June, 2020 could not been confirmed.

### 3.0 Use of Goods and Services

The statement of receipts and payments for the year ended 30 June, 2020 reflects use of goods and services expenditure of Kshs.1,025,586,830 as further disclosed in Note 7 to the financial statements. However, the following unsatisfactory observations were made in respect to the payments:

### 3.1 Unsupported Domestic Travel and Subsistence

The County Executive Management spent Kshs.145,674,332 on domestic travel and subsistence allowances. However, Management did not provide for audit review supporting documents such as activity reports, imprest warrants, conferences and meetings invitation letters and travel documents for expenditure amounting to Kshs.21,283,050.

### 3.2 Unsupported Rental of Produced Assets

The County Executive Management spent Kshs.116,230,297 on rentals of produced assets. However, Management did not provide for audit review local purchase orders, invoices, lease agreements and evidence of services offered in support of Kshs.15,000,000 incurred on rentals of produced assets.

### 3.3 Unsupported Training Expenses

The County Executive spent Kshs.3,344,130 on training expenses out of which an amount of Kshs.2,353,200 was not supported with requisitions, training programme, attendance register and certificates of participation as an evidence of training offered.

### 3.4 Unsupported Specialized Materials and Services

County Executive Management spent Kshs.156,940,726 on specialized materials and services out of which an amount of Kshs.59,035,836 was used to procure drugs, non-pharmaceuticals, lab reagents and chemicals. However, Management did not provide stores records on how the items were received at the respective health facilities or how the drugs, non-pharmaceuticals and other goods procured were used.

### 3.5 Unsupported Fuel, Oil and Lubricant

During the year under review, an amount of Kshs.54,490,906 was incurred on fuel, oil and lubricant. However, examination of payment records and fuel records revealed that expenditure totaling to Kshs.20,500,412 was not supported with work tickets, detail orders and fuel registers.

### 3.6 Unsupported Routine Maintenance - Motor Vehicles and Other Equipment

Examination of the expenditure on use of goods and services revealed that an amount of Kshs.33,593,011 was spent on routine maintenance of motor vehicles and other equipment. However, examination of payment records and other documents revealed that expenditure amounting to Kshs.9,636,361 were not supported with pre and post inspection report, motor vehicle work tickets, motor vehicle log books (GP55) and stores records.

Consequently, the accuracy and completeness of the use of goods and services expenditure of Kshs.1,025,586,830 could not be confirmed. as at 30 June, 2020.

### 4.0 Unsupported Transfer to Other Government Entities

The statement of receipts and payments and as disclosed under Note 8 to the financial statements reflects an amount of Kshs.980,771,095 in respect of transfers to other government entities figure. Included in this amount is Kshs.124,151,947 disbursed to health facilities from Danida and Transforming Health Service funds. However, examination of payment records and other documents revealed that expenditure amounting to Kshs.12,263,500 incurred on purchase of reproductive health equipment was not supported with stores records to confirm how the equipment were received, recorded and the point of use of the equipment.

In the circumstances, the accuracy and validity of the expenditure of Kshs.12,263,500 on transfer to other Government entities as at 30 June, 2020 could not be confirmed.

### 5.0 Other Grants and Payments

The statement of receipts and payments and as disclosed under Note 9 to the financial statements in respect of other grants and payments amount of Kshs.697,331,203. Included in this amount is Kshs.121,736,210 relating to emergency donations. However, examination of payment records and other documents revealed that payments amounting to Kshs.17,311,278 used for water trucking services but were not supported with log books and the temporary work tickets of the hired vehicles.

Consequently, the accuracy and validity of the expenditure of Kshs.121,736,210 on emergency donations could not be confirmed.

### 6.0 Pending Bills

Annex 2 to the financial statements reflects pending bills amount of Kshs.887,868,191. However, the schedule provided for audit review did not show details such as contract number, local purchase order, local service order and dates contracted for pending bills amounting to Kshs.226,008,018. As a result, it was not possible to confirm the authenticity and completeness of the pending bills. Further, the creditors' ledgers were not provided for audit verification to support the changes from Kshs.1,700,318,265 reported in the financial year ended 30 June, 2019 to Kshs.887,868,191 in the financial year ended 30 June, 2020.

Consequently, the accuracy and completeness of the pending bills amounts of Kshs.887,868,191 as at 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 Executive 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**

**1.0 Budget Control and Performance**

The summary statement of appropriation: recurrent and development combined reflects total actual receipts of Kshs.7,638,671,267. This figure includes exchequer receipts of Kshs.6,808,196,470 and proceeds from domestic and foreign grants of Kshs.600,207,586. The underperformance of the budget affected the planned activities and may have impacted negatively on service delivery to the public. The underperformance of the budget affected the planned activities and may have impacted negatively on service delivery to the public.

**2.0 Late Exchequer Releases**

During the year under audit review, the County Executive received an amount of Kshs.1,568,927,075 in the month of June, 2020. Due to late remittances by The National Treasury and the outbreak of the Covid-19 pandemic, the County Government could not undertake the planned and budgeted for programmes. As a result, the summary statement of appropriation recurrent and development combined reflects actual recurrent expenditure of Kshs.8,269,376,726 against approved budget of Kshs.10,868,381,277 resulting to under expenditure of Kshs.2,599,004,551.

The underperformance of the budget affected the planned activities and may have impacted negatively on service delivery to the public.

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 the Use of Public Resources sections 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 Stalled Projects

Included in the acquisition of assets amount of Kshs.1,495,102,996 is Kshs.118,573,286 in respect to construction of buildings. Examination of payment records, tender records and other documents revealed payments of Kshs.71,305,052 for five (5) projects with a contract sum of Kshs.491,402,731. However, physical verification of the projects revealed that the projects had stalled after the respective contractors abandoned the project sites. Under the circumstances, value for money on the expenditure of Kshs.71,305,052 has not been realised.

### 2.0 Discriminatory Staff Medical Insurance

During the year ended 30 June, 2020, the County Executive Management spent Kshs.40,000,000 on employees' medical scheme as part of the payment of the premium for two thousand nine hundred and ninety-eight (2,998) employees. However, review of the IPPD payroll established that the Executive had three thousand five hundred and fifty-two (3,552) employees resulting in five hundred and fifty-four (554) employees being excluded from the medical scheme. This was contrary to the Salaries and Remuneration Commission Circular No. SRC/TS/CGOVT/3/61 of 19 December, 2014 which required County Governments to adopt and implement group medical scheme for all public officers serving in a County Government.

Management did not provided explanations on why the five hundred and fifty-four (554) employees were excluded from the scheme. Further, the contract for the medical scheme had expired on 20 December, 2019 and had not been renewed as at the time of the audit.

In view of the anomalies, Management was in breach of Salaries and Remuneration Commission guidelines on group medical scheme.

### 3.0 Irregular Routine Maintenance of Other Assets

Included in the use of goods and services figure of Kshs.1,025,586,830 is Kshs.184,797,847 in respect of routine maintenance of other assets. Examinations of payment records and other documents revealed the following anomalies: -

### 3.1 Galbet Road

Management, contracted works for proposed periodic maintenance of Galbet Road at a contract cost of Kshs.2,017,008. However, grading and bush clearing was done for 7.5 kilometers instead of fifteen (15) kilometers contrary to the project progress report. The County Executive Management had made payment of Kshs.1,710,907 representing 85% of the contract sum at the time of audit. Further the project had stalled and the contractor was not on site.

### 3.2 Waberi Access Roads

The County Executive contracted works for the proposed periodic maintenance of Waberi access Roads at a contract cost of Kshs.2,610,986. However, physical verification established that only 5km of heavy grading and bush clearing was completed contrary to project progress report used as a basis for payment which indicated 15km heavy grading and 15km bush clearing was done.

Consequently, value for money has not been achieved on the projects.

### 4.0 Engagement of a Non-Responsive Bidder

Included in the transfers to other government entities is an amount of Kshs.124,151,947 in respect of current grants to semi-autonomous government agencies. Included in this amount is Kshs.41,619,000 transferred to the Garissa County Covid-19 Emergency Account. However, examination of payments and procurement records revealed that Management awarded contract for the supply of one hundred and twenty-five (125) adjustable hospital beds to a local supplier at a contract sum of Kshs.5,000,000. However, the company did not provide a tax compliance certificate as a proof of its operations and payment of taxes. This was contrary to Section 55(1)(f) of the Public Procurement and Asset Disposal Act, 2015 which provides that a person is eligible to bid for a contract in procurement or an asset being disposed, only if the person has fulfilled tax obligations.

Consequently, Management was in breach of law in awarding the contract to an unresponsive bidder.

### 5.0 Implementation of National Government Projects

Examination of payment records, tender documents and other supporting documents revealed that County Executive Management incurred an amount of Kshs.160,736,226 on construction of education offices, administration blocks, fencing of secondary schools, primary schools and security projects which fall under the National Government functions. The County Executive did not provide a written agreement between the two levels of Governments contrary to Article 187 of the Constitution on transfer of functions and powers between the levels of government.

In view of the foregoing, Management was in breach of the law.

## 6.0 Irregular Award of Contract for Works at the Garissa County Referral

During the year ended 30 June, 2020, Management awarded contract for Cabro laying, installation of steel tank and refurbishment of laboratory block at Garissa County Referral Hospital to a local contractor at a contract sum of Kshs.5,829,986. However, the evaluation committee was not properly constituted as required by Section 46(4b) of Public Procurement and Assets Disposal Act, 2015 which provides that that an evaluation committee shall consist of between three and five members appointed on a rotational basis comprising heads of user department and two other departments or their representatives and where necessary, procured consultants or professionals, who shall advise on the evaluation of the tender documents and give a recommendation on the same to the committee within a reasonable time.

In the circumstances, Management was in breach of law.

## 7.0 Rehabilitation and Civil works

Management, awarded contract for the proposed construction of 50,000m$^3$ water pan at Dogob Centre-Balambala Sub-County to a local contractor at a contract price of Kshs.28,208,052. The contractor was paid an amount of Kshs.14,000,000 during the year under review. However, physical verification conducted on 17 November, 2020 revealed the in-let, silt trap and outlet channels works were not installed according to the specifications. In addition, chain-link fencing with concrete poles, gate, three (3) number troughs, ten (10) meter high steel tank, one (1) number VIP latrine, two (2) number water kiosk, with piping from tower, solar panel and pump and 10m$^3$ plastic tank had not been installed. The contract expired on September, 2019 and had not been renewed. It was also noted that the project had stalled with no sign of work in progress and the contractor left the site.

In the circumstances, value for money has not been realised on the rehabilitation and civil works.

## 8.0 Unutilized Shabah Water Project

The County Executive Management awarded a contract for the proposed augmentation and rehabilitation of Shabah water supply to a local contractor at a contract sum of Kshs.9,948,566. The contractor was paid an amount of Kshs.5,272,740 during the year under review. However, physical verifications revealed that the project had not been put into use one year after completion because of faulty pipeline. Further, it was also observed that the project was not labelled and the storage tanks had already collapsed.

Under the circumstances, value for money has not been realised.

## 9.0 Uncredited Donor Counterpart Funding

During the year under review, the County Executive Management failed to contribute an amount of Kshs.5,500,000 to the Agriculture Sector Development Supporting Programme II as per the Memorandum Of Understanding between Government of Kenya and Government of Sweden to trigger counterpart funding for the project. As a result, the project was yet to receive an amount of Kshs.2,500,000 from Government of Kenya and

Kshs.18,493,936 from Government of Sweden amounting to Kshs.26,493,936 being funds for the financial year ended 30 June, 2020.

In view of the foregoing, decline in Donor Counterpart Funding could adversely affect the provision of services to County residents.

### 10.0 Kenya Urban Support Program Expenditure

Included in other grants and payments and as disclosed under Note 9 is an expenditure of Kshs.194,636,019 for Kenya Urban Support Programme (KUSP). However, a review of the expenditures and the supporting documents revealed the following anomalies: -

#### (i) The Proposed Re-Carpeting of CBD Roads in Garissa Town

Management spent Kshs.58,199,889 on re-carpeting of CBD roads. However, the tender documents did not state the tender security in absolute value or a percentage of the tender value as required by Section 61(2) of Public Procurement and Assets Disposal Act, 2015. Further, a recommendation by the evaluation committee approving the use of prime cost for proposed re-carpeting of CBD roads as Kshs.5,535,000, and a certificate from the tenderer making a justification for such cost were not made available for audit review.

#### (ii) Storm Water Drainage Works and Walkways

An amount of Kshs.52,546,583 was spent on storm water drainage works and walkways. However, the tender documents did not state the tender security in absolute value or a percentage of the tender value as required by Section 61(2) of Public Procurement and Assets Disposal Act, 2015. Further, physical verification confirmed that although the storm water drainage works project was incomplete, no works were ongoing and the contractor had abandoned the project site.

#### (iii) Proposed Construction of Qorehey Market

Management spent Kshs.46,989,113 for the constructions of Qorehey market. Audit review of the records revealed that the tender documents for the project did not state the tender security in absolute value or a percentage of the tender value as required by Section 61(2) of Public Procurement and Assets Disposal Act, 2015.

#### (iv) Unsupported Supplies

Audit review of the stores supplies for the programme revealed that supplies amounting to Kshs.4,897,400 were not supported with the relevant stores records for receipt and issue to confirm procurement of the stores and their point of use.

Under the circumstances, Management was in breach of law on the expenditure of Kshs.194,636,019 for Kenya Urban Support Programme (KUSP) and value for money was not realised.

### 11.0 Irregular Acquisition of Specialized Plant, Equipment and Machinery

During the year under review, Management spent Kshs.1,495,102,996 on acquisition of assets out of which an amount of Kshs.319,335,742 was used on purchase of specialized plant, equipment and machinery. However, examination of the payment vouchers and the procurement documents availed for audit revealed that expenditure amount of Kshs.18,800,000 were procured through restricted tendering method. Management did not provide evidence that they complied with the requirements of Section 102 of the Public Procurement and Asset Disposal Act, 2015 which provides that an accounting officer of a procuring entity may use restricted tendering if competition for contract, because of the complex or specialised nature of the goods, works or services is restricted to prequalified tenderers; or the time and cost required to examine and evaluate a large number of tenders would be disproportionate to the value of the goods, works or services to be procured; or if there is evidence to the effect that there are only a few known suppliers of the whole market of the goods, works or services; and an advertisement is placed, where applicable, on the procuring entity website regarding the intention to procure through limited tender.

Consequently, the validity of the expenditure of Kshs.18,800,000 could not be confirmed.

### 12.0 Compensation of Employees

### 12.1 Irregular Locum Allowances

The County Executive paid allowances amounting to Kshs.42,151,000 to clinical officers, nurses, lab technicians and other heath sector workers engaged as locum. However, review of the allowances established the payments were not subject to Pay as You Earn deductions contrary to Tax Procedures Act, 2015. Management did not provide for audit verification evidence of request from the health department, the terms of engagement and approvals from the County Public Service Board for engagement of the locum staff.

In the circumstances, validity of the expenditure of Kshs.42,151,000 incurred on payment of locum allowances as at 30 June, 2020 could not be ascertained.

### 12.2 Irregular Payment of Basic Salary

A scrutiny of the Integrated Personnel and Payroll Database (IPPD) payroll revealed that one hundred and thirty-seven (137) employees were earning a basic salary which was above the approved salary scale by the Salaries and Remuneration Commission (SRC). The County Executive made payments of Kshs.27,600,184 to the affected staff above the approved rates. No explanation was provided for the overpayment of the basic salaries to the officers.

Consequently, the County Executive Management was in breach of law in the expenditure of Kshs.27,600,184.

### 12.3 Acting Allowances

A review of the Integrated Personnel and Payroll Database (IPPD) payroll revealed that ten (10) employees were paid acting allowances amounting to Kshs.897,685 for the period under review. However, personal files for the staff who were paid the allowances were not provided for audit.

In the circumstances, the validity of the expenditure of Kshs.897,685 incurred on the acting allowances as at 30 June, 2020 could not confirmed.

### 12.4 Over Age Employees in the Payroll

Analysis of the payroll data revealed that sixty-eight (68) employees were past the mandatory retirement age of 60 years for normal retirement and 65 years for persons with disabilities. Management did not provide personal files for forty-nine (49) employees for audit verification and no explanation was given for retaining the staff that are over the mandatory retirement age.

### 12.5 Non-Compliance with Law on Ethnic Composition

During the year under review, the County Executive recruited twenty-nine (29) employees for various positions. Scrutiny of the employment records however, indicated that the recruited employees were all from one ethnic group that is dominant in the County. This is contrary to Section 65(1) of the County Government Act, 2012 which requires that during recruitment at least thirty (30) percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County.

Management was therefore in breach of the employment law.

### 12.6 Compensation of Employees in Relation with Total Receipts

The County Executive incurred expenditure of Kshs.4,039,322,816 as compensation of employees. This was 53% of the total revenue budget of Kshs.8,607,173,076 and thus exceeded the recommended ratio of 35% stipulated under Section 25(1)(b) of Public Finance Management (County Government) Regulation, 2015.

Consequently, the County Executive was in breach of law and the wage bill may not be sustainable unless adequate measures are put in place to contain the wage bill.

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 Lack of Updated Fixed Assets Register

The fixed assets register provided did not include assets inherited from the defunct Local Authorities. The assets register did not include details on each parcel of land and building, including the terms on which it was held, the conveyance, location, dates and costs of acquisition contrary to Section 136(2) of the Public Finance Management (County Governments) Regulations, 2015. In addition, the policies and procedures on management of assets were not provided for audit review.

Consequently, the Management may not have instituted adequate structures to ensure proper safeguards and custody of the assets.

### 2.0 Ineffective Internal Controls on Cash and Bank and Expenditure

Examination of payment vouchers and other supporting documents revealed that expenditure amounting to Kshs.21,037,400 was not passed through examination section and the vote book certificates for the expenditure were not signed.

In addition, the County Treasury prepared its bank reconciliation statements manually instead of using IFMIS. Also, Management did not submit the bank reconciliations to the Office of the Auditor-General as required by Section 90 of Public Finance Management (County Government) Regulations, 2015.

### 3.0 Under Collection of Revenue

During the financial year under review the County Executive budgeted to collect own generated revenue amount of Kshs.150,000,000. However, the County Executive collected revenue amount of Kshs.109,915,818 resulting in under collection of revenue of Kshs.40,084,182 or 27% of the revenue budget. Further, there has been a declining trend in collection of own generated revenue during the past five (5) years as indicated in the table below: -

| Year | Budgeted Revenue (Kshs.) | Actual Revenue Collected (Kshs.) | Variance (Kshs.) |
|---|---|---|---|
| 2015/2016 | 500,000,000 | 105,943,675 | 394,056,325 |
| 2016/2017 | 350,000,000 | 80,723,998 | 269,276,002 |
| 2017/2018 | 250,000,000 | 90,193,915 | 159,806,085 |
| 2018/2019 | 250,000,000 | 118,213,530 | 131,786,470 |
| 2019/2020 | 150,000,000 | 109,915,818 | 40,084,182 |

Management did not provided explanations on why there has been constant failure to meet revenue targets despite constantly lowering of revenue targets. Also, Management did not provide explanations on measures taken to address the declining revenue collection.

This is an indication of weak controls over revenue streams identification, revenue collection and accounting by the County Executive

### 4.0 Inadequate Safeguards for ICT Environment and Data Security controls

As previously reported, Management did have an approved ICT Policy in place which includes Data Security Policy and Disaster Recovery Plans. In addition, formally documented and approved processes to manage upgrades made to all information systems were not provided for audit review.

### 5.0 Failure to Maintain Approved Staff Establishment

Management did not maintain an approved staff establishment indicating the optimal number of staff for each category, the number in post and the variance. The County Executive was operating on a budget of 53% of the total revenues which would have been sorted by the existence of an approved establishment.

In the absence of an approved establishment, it is not possible to ascertain whether the County Executive was operating within an optimal level of staff establishment and the wage bill may not be sustainable unless adequate measures are put in place to contain the wage bill

### 6.0 Use of Manual Payroll in Compensation of Employees

During the year under review, the County Executive incurred Kshs.4,039,322,816 in respect of compensation of employees which in turn includes Kshs.176,578,628 paid to two hundred and thirty three (233) employees through the manual payroll. The use of the manual payroll requires manual input of data and calculation of deductions which is prone to error and manipulation. Management did not provide explanations on use of the manual payroll.

## 7.0 Long Outstanding Land Rates

Audit review of the outstanding land rates as per LAIFOM system schedules revealed that land rates amounting to Kshs.215,827,732 remained outstanding as at 30 June, 2020. However, Management had not put in place strategies to recover the outstanding rates as provided for under Section 157(2) of the Public Finance Management Act, 2015 which requires a Receiver of County Revenue to ensure that the revenue for which the Receiver is responsible is collected or recorded and accounted for.

Consequently, Management did not achieve its revenue collection target and therefore the service delivery to the residents of the County is affected.

## 8.0 E Procurement

Examination of the E-procurement module of the IFMIS system revealed that all procurement plans were developed in IFMIS. However, only road maintenance levy fund projects procurements were done in e-procurement.
In the circumstances, Management was in breach of the Executive Order No.2 of 2018 Part IV(B).

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 Executive'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 Executive or 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 Executive'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 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 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 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 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 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 Management.

- Conclude on the appropriateness of 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 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 November, 2021**