

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF KAKAMEGA 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 Kakamega set out on pages 1 to 146, which comprise the statement of assets and liabilities as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for 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 Kakamega 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 Variations Between the Financial Statements and the IFMIS Ledgers

The statement of receipts and payments reflects a total expenditure figure of Kshs.12,667,723,059 relating to various expenditure items. A review of related IFMIS ledgers revealed a total expenditure figure of Kshs.10,989,719,437 for the various items resulting to unreconciled variance of Kshs.1,678,003,622 as detailed below: -

Item	Financial Statement Figures (Kshs.)	IFMIS Ledger Figures (Kshs.)	Variance (Kshs.)
Acquisition of Assets	3,490,481,041	2,360,816,884	1,129,664,157
Compensation of Employees	4,395,102,410	4,374,092,440	21,009,970
Other Grants and Transfers	1,824,247,635	2,520,039,929	(695,792,294)
Transfers to Other Government Units	1,044,698,080	0	1,044,698,080
Use of Goods and Services	1,913,193,898	1,734,770,184	178,423,714

Though, the Management explained that the variation was as a result of payments made outside the Integrated Financial Management Information System (IFMIS), no explanation was provide for operating outside the prescribed financial management system and the subsequent failure to pass journal entries to capture the expenditure in the system.

Consequently, the accuracy and completeness of the financial statement for the year ended 30 June, 2020 could not be ascertained.

2.0 Misclassification of Expenditure

The statement of receipts and payments reflects a total expenditure figure of Kshs.12,667,723,059 relating to various expenditure items. Review of the expenditure schedules provided for audit revealed specific expenditures that were charged to wrong accounts leading to a haphazard grouping of expenditures amounting to Kshs.1,515,298,856 explained hereunder: -

- i. Included in the use of goods and services figure of Kshs.1,913,193,893 is an amount of Kshs.94,820,237 relating to compensation of employees, subsidies, grants, investment in non- financial assets, acquisition of assets and miscellaneous amount of Kshs.9,000,324 which was misclassified.
- ii. Included in the other grants and transfers figure of Kshs.1,824,247,635 is an amount of Kshs.831,004,432 relating to recurrent bank account, acquisition of assets, development bank account, use of goods & services and miscellaneous amount of Kshs.258,822,232 which was misclassified.
- iii. Included in the compensation of employees' figure of Kshs.4,395,102,410 is an amount of Kshs.44,167,342 relating to use of goods & services, grants and an adjustment of Kshs.8,191,282 which was misclassified.
- iv. Included in the acquisition of assets figure of Kshs.3,490,481,041 is an amount of Kshs.545,306,845 relating to use of goods & services, subsidies, grants Development Bank Account, Salary Deductions and miscellaneous amount of Kshs.4,500,000 which was misclassified.

Management did not provide explanations on what the miscellaneous amount were intended for.

Consequently, the accuracy, completeness and fair statement of the financial statement as at 30 June, 2020 could not be confirmed.

3.0 Inaccuracies in Cash and Bank Balances

The statement of assets and liabilities and as disclosed under Note 12A to the financial statements reflected cash and cash equivalent balance of Kshs.1,710,582,883 maintained in fifty-nine (59) bank accounts. Revenue of the bank account details revealed that seven (7) of the accounts were dormant with three (3) of the accounts having a Nil

balance, the other three (3) having a balance of Kshs.6,983,246 while the last account had a negative balance of Kshs.227,772. Management did not provide explanations on the negative balance, why the accounts were not closed and remained dormant. Further, the bank reconciliation statements were not provided for audit verification.

Consequently, the accuracy, completeness of the cash and cash equivalents of Kshs.1,710,582,883 as ta 30 June, 2020 could not be confirmed.

4.0 Inaccuracies in County Own Generated Receipts

The statement of receipts and payments and disclosed under note 4 to the financial statements is an amount of Kshs.1,180,228,345 relating to County own generated receipts. The following anomalies were noted during the audit: -

4.1 Income from Liquor Licences

Disclosed under Note 4 to the financial statements is revenue of Kshs.16,915,000 collected from liquor licensing. The Kakamega County Alcoholic Drinks Control Fund financial statements provided for review reported a total collection figure of Kshs.15,556,710 while the bank statements reflected an amount of Kshs.16,211,310. The variances had not been reconciled or explained at the time of the audit.

4.2 Other Local Receipts

Disclosed under Note 4 to the financial statements is Kshs.44,997,833 relating to Other Local Receipts. A review of supporting schedules provided, reflected a total of Kshs.41,109,992 resulting to an unexplained and unreconciled variance of Kshs.3,887,841.

4.3 Public Health Services

Disclosed under Note 4 to the financial statements is Kshs.234,793,412 in respect of revenue from Public Health Services. This was at variance with the schedules received from the Hospitals which reflected an amount of Kshs.216,431,64 and the subsequent list provided in response to the audit query raised during the audit which reflected Kshs.218,548,945. The variances had not been reconciled or explained at the time of the audit.

4.4 Unsupported National Hospital Insurance Fund (NHIF)

Disclosed under Note 4 to the financial statements is revenue figure of Kshs.285,926,691 collected through NHIF arrangement where the total claims from each health facility is processed and later reimbursement and channelled through individual health facility bank accounts. However, the record provided only indicated a block figure of Kshs.285,926,691. Management did not provide a breakdown on how the amount was collected for audit review.

4.5 Unreconciled Farm Input Revenue Figures

Disclosed under Note 4 to the financial statements is farm input revenue of Kshs.316,393,600. Review of the farm office records indicated an amount of Kshs.275,238,350 which was at variance with the records provided by the County Revenue Officer of Kshs.314,642,850. The variances had not been reconciled or explained at the time of the audit.

In addition, the following unsatisfactory matters were noted;

- (i) A random inspection on licence status for liquor outlets within the Kakamega CBD revealed that eight (8) outlets were operating on expired licence, depriving the Executive of revenue amounting to Kshs.364,200.
- (ii) 225 liquor outlets had not paid their annual fee licences while 12 others did not have a clear payment status. Although the County Executive explained that the failure to collect revenue was due to a petition by traders for a fresh consideration of the invoiced amounts since they had closed for more than six months as a result of Covid-19, no evidence was provided for audit review on the resolution of the petition as per Section 64(3) of the Public Finance Management (County Government) Regulations, 2015.
- (iii) No quarterly reports showing statement of arrears of revenue and reasons for material differences between the approved estimates and the actual revenue collected were provided to support the amount collected contrary to Section 64 of Public Finance Management (County Government) Regulations, 2015.

Consequently, accuracy and completeness of the county own generated receipts figure of Kshs.1,180,228,345 as at 30 June, 2020 could not be confirmed.

5.0 Compensation to Employees

The statement of receipts and payments and as disclosed under Note 5 to the financial statements reflects an expenditure of Kshs.4,395,102,410 in respect of compensation of employees. Review of IFMIS ledgers presented for audit reflected a figure of Kshs.4,374,092,440 resulting to a variance of Kshs.21,009,970. Further, the payroll schedules reflected an amount of Kshs.4,531,981,752 resulting to a variance of Kshs.136,879,342 which has not been reconciled or explained.

Consequently, the accuracy and completeness of the Kshs.4,395,102,410 in respect of compensation of employees as at 30 June, 2020 could not be confirmed.

6.0 Inaccuracies in Use of Goods and Services

The statement of receipts and payments and as disclosed under Note 6 to the financial statements reflects Kshs.1,913,193,893 in respect use of goods and services. However, the expenditure differs with what is captured in the IFMIS of Kshs.1,734,770,184 by

Kshs.178,423,709 that was explained to be expenditure incurred outside IFMIS but reasons for this were not given.

6.1 Specialized Materials and Services

Included in the use of goods and services amount of Kshs.1,913,193,893 is Kshs.364,178,102 relating to the procurement of specialised materials and supplies. This was at variance with the supporting schedules provided for audit which reflected an amount of Kshs.370,018,502 resulting in a variance of Kshs.21,947,491 which was not reconciled or explained.

6.2 Domestic Travel and Subsistence

Included in the use of goods and services amount of Kshs.1,913,193,893 is an amount of Kshs.301,058,609 in respect of domestic travel and subsistence. Review of the expenditure revealed that an amount of Kshs.9,506,938 was misclassified as domestic travel and subsistence. Further, a review of the supporting schedules revealed that an amount of Kshs.85,632,158 was paid outside the IFMIS system which is the recommended system of government financial management as prescribed by law.

6.3 Hospitality, Supplies and Services and Fuel, Oil and Lubricants

Included in the use of goods and services figure of Kshs.1,913,193,893 is an amount of Kshs.314,455,965 in respect of hospitality, supplies and services and Kshs.37,073,729 incurred on fuel, oil and lubricants. However, payment records for expenditure totalling Kshs.12,116,162 were not provided for audit review.

6.4 Over-Statement of Other Operating Expenses

Included under use of goods and services figure of Kshs.1,913,193,893 is an amount of Kshs.289,097,122 for other operating expenses which does not agree with the supporting schedule totalling Kshs.286,880,447 by Kshs.2,216,675.

Consequently, the accuracy, completeness and recording of the expenditure of Kshs.1,913,193,893 incurred on use of goods and services as 30 June, 2020 could not be confirmed.

7.0 Transfer to Other Government Entities - The Kakamega County Urban Water and Sewerage

The statement of receipts and payments reflect transfers to other government entities figure of Kshs.1,044,698,080. Included in this amount is Kshs.27,000,000 transferred to Kakamega County Urban Water and Sewerage Company (KACWASCO). However, the following anomalies were noted;

- i. The amount was not in the budget of the County Executive.
- ii. Review of receipt by the Kakamega County Urban Water and Sewerage Company revealed that the Company received Kshs.12,000,000. The balance of

Kshs.15,000,000 was deposited in a separate bank account whose details were not provided for audit review.

8.0 Other Grants and Transfers

The statement of receipts and payments and as disclosed under Note 8 to the financial statements reflects other grants and transfers figure of Kshs.1,824,247,635. This was at variance with the IFMIS amount of Kshs.1,572,916,769 resulting to an unexplained and unreconciled variance of Kshs.251,330,866. Further, the following anomalies were noted:

- i. Included in the other grants and transfers figure of Kshs.1,824,247,635 is an amount of Kshs.653,309,155 in respect of scholarships and other educational benefits. However, audit review revealed that expenditure amounting to Kshs.434,808,022 was misclassified as scholarships disbursement.
- ii. The County Executive made a payment of Kshs.1,000,000 to West Pokot County as an emergency donation for an undisclosed occurrence. The payment voucher and supporting documentation for expenditure was not provided for audit verification.
- iii. Included in other grants and transfers is an amount of Kshs.56,181,659 indicated as transfers to retention account. However, no additional information was provided to show what the transfer relates to and why retention money is a payment.
- iv. Included in the figure for rental of produced assets of Kshs.130,979,137 is an amount of Kshs.43,482,335 paid for lease of two properties which was at variance with the expected amount of Kshs.38,168,312 resulting in an unexplained and unreconciled variance of Kshs.5,314,023.
- v. The transfers and other grants balance of Kshs.1,824,247,635 include transfers to Linda Afya ya Mama na Mtoto amount of Kshs.36,190,682. However, information available indicates that an amount of Kshs.60,000,000 was transferred to the Fund resulting in an unexplained and unreconciled variance of Kshs.23,809,318.
- vi. The grants and other transfers include Kenya Devolution Support Programme (KDSP) expenses of Kshs.144,399,886, Kenya climate smart agricultural expenses of Kshs.65,520,351 and special purpose universal care expenses amount of Kshs.85,418,753 for which no documentation was provided on what the transfers were for and how the funds were utilized.

Consequently, the accuracy and completeness of the expenditure on other grants and transfers amount of Kshs.1,824,247,635 could not be confirmed as at 30 June, 2020.

9.0 Inaccuracies in Acquisition of Assets

The statement of receipts and payments reflects expenditure on acquisition of assets amount of Kshs.3,490,481,041, This was at variance with the IFMIS amount of Kshs.2,360,816,884 and the schedules amount of Kshs.3,485,981,041 provided to

support the amount resulting in unexplained and unreconciled variances of Kshs1,129,664,157 and Kshs.4,500,000 respectively.

In addition, the expenditure on acquisition of assets included an expenditure of Kshs.10,381,600 in respect of research, feasibility studies, project preparation & design, and project supervision. This was at variance with the supporting schedules provided for audit which reflected an amount of Kshs.40,265,295

Consequently, the accuracy and completeness of the expenditure on acquisition of assets amount of Kshs.3,490,481,041 as at 30 June, 2020 could not be ascertained.

11.0 Unsupported Accounts Receivable- Outstanding Imprest

The statement of assets and liabilities and as disclosed under Note 13 to the financial statements reflects outstanding imprest balance of Kshs.31,786,077 as at 30 June, 2020. However, the imprest register was provided for audit verification.

In the circumstances, the accuracy and completeness of the outstanding imprest balance of Kshs.31,786,077 could not be confirmed.

11.0 Unsupported Accounts Payable

The statement of assets and liabilities reflects a balance of Kshs.316,041,196 in respect of deposits and retention monies. Management made withdrawals and transfers of funds from the account to other accounts for other operational expenditure amounting to Kshs.225,384,566. However, supporting analysis and documentation of the deposits and retention monies together with the supporting documents for the withdrawals was not provided for audit.

Consequently, the accuracy and completeness of the deposits and retention monies balance of Kshs.316,041,096 reflected in the financial statements 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 Kakamega 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 are no other key audit matters to communicate in my report.

Other Matter

1.0 Failure to Submit Financial Statements for Audit

The County Executive transferred Kshs.468,344,081 to the Kakamega County Sugar Fund, the Investment and Development Corporation, Kakamega County Emergency Fund, Farm Inputs Fund and the Kakamega County Youth and Sports Fund during the year under review. However, the County Executive Management did not prepare and submit for audit by the Auditor-General financial statements for the entities and funds.

2.0 Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.15,407,059,188 and Kshs.12,416,574,234 respectively resulting to an under-funding of Kshs.2,990,484,954 or 19% of the budget. Similarly, the County Executive expended Kshs.12,667,723,059 against an approved budget of Kshs.15,407,059,188 resulting to an under-expenditure of Kshs.2,739,336,129 or 18% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

3.0 Delayed Disbursement of Exchequer

The County Executive received exchequer releases amounting to Kshs.9,517,344,900 during the year under review. Included in this amount is Kshs.1,932,408,025 received between 4 June, 2020 and 6 July, 2020. The delay in disbursements of funds by The National Treasury adversely affected implementation of projects for financial year 2019/2020.

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 Failure to Utilize Covid-19 Funds

The County Executive allocated Kshs.487,618,000 towards mitigation of Covid-19 pandemic. However, the County Executive did not have approved work plans and procurement plans for COVID-19 prevention, mitigation and response. The funds from

the government grant, KDSP and DANIDA had not been utilized by 30 June, 2020 due to lack of work plans and procurement plans. This was contrary to Section 107(2) of the County Governments Act, 2012 which requires that the county government plans shall be the basis of all budgeting and spending in a county.

Consequently, the County Executive Management was in breach of law and value for money was not realised on the allocation of the funds.

2.0 Construction of Markets

2.1 Construction of Kambi Somali Market in Lurambi Sub-County

The County Executive awarded the contract for the construction of Kambi Somali Market in Lurambi Sub-County at a contract sum of Kshs.17,000,000. The project commenced on 22 May, 2017 with the expected completion date set for 22 May, 2019. However, as at the time of audit in October 2020 the following anomalies were noted;

- i. The project was incomplete with about 80% of the works completed 15 months after the expected completion date.
- ii. A perimeter wall was constructed at a cost of Kshs.3,014,234. However, this was not provided for in the original Bills of Quantities. Management did not provide explanations on how the cost for the perimeter wall was arrived at.
- iii. Repair of the ablution block had commenced at the time of the audit. However, this was contrary to the contract agreement which provided for construction of a new ablution block.

2.2 Construction of VIP Toilets at Mudiri Estate

The County Executive awarded the contract for the construction of VIP Toilets at Mudiri Estate at a contract price of Kshs.2,292,478. The project was scheduled to commence on 24 April, 2018 with the expected completion date set for 15 July, 2018. However, an audit inspection conducted on the project on 14 October, 2020 revealed that;

- i. The toilets have not been handed over but were in use.
- ii. Two of the pit latrines had holes on their floors reflecting poor workmanship by the contractor.
- iii. A flat roof had been erected on the toilets instead of the proposed gable roof provided for in the drawings.
- iv. The roofing was completed using ordinary iron sheets instead of the pre-painted iron sheets provided for in the contract.
- v. The paint work was poorly done with weak doors which were falling apart.

2.3 Delayed Hand Over of Bukura Modern Market

The County Executive entered into a contract for the construction of the Bukura Modern Market in 2015. The project had not been handed over and work had stopped. Also, the final accounts providing how prime cost and provisional sums totalling Kshs.5,850,000 was spent have were not provided. Management did not provide explanation on when the project would be handed over for use.

2.4 Delayed Hand Over of Mumias West Market

The County Executive entered into a contract for the construction of the Mumias West Market in 2015. The County Executive incurred expenditure of Kshs.4,500,300 on the gate houses and gates for the Phase 1 and 2. However, Management did not provide for audit documents and information on how the procurement for the works was done. Further, Management provided for Kshs.6,225,000 as prime cost and provisional sums for which documents in support were not provided for audit verification. The project was yet to be handed over due to failure to connect electricity to the market because the County Executive had not provided for the cost of electricity connection.

Consequently, value for money has not been realised from the implementation of the projects.

3.0 Mumias West Level 4 Hospital

The County Executive awarded the tender for the construction of Mumias West Level 4 Hospital on 19 February, 2016 at a contract price of Kshs.191,116,022. The contract was for a duration of 104 weeks. However, additional works were included and captured under variation order (V.O) Nos.1-16 amounting to Kshs.13,552,737. This included expenditure of Kshs.6,406,228 which was not supported. Audit verification of the project in October, 2020 revealed the following matters:

- i. The project was handed over by the contractor and had been put to use. Management explained that only some of the buildings were handed over. The final handover report was not provided for audit verification.
- ii. Some areas such as walkways remained incomplete.
- iii. The variation costs for paving slabs carried out at a cost of Kshs.5,952,000 was not supported.
- iv. The water reticulation project, the elevated steel water tank and a large ground steel water tank were poorly constructed and not valued.
- v. Proper analysis of the variation orders showing omissions and additions was not provided for evaluation.

- vi. Management did not explain how prime cost and provisional sums were arrived at and accounted for.

Consequently, value for money has not been realised in the construction of the Mumias West Level 4 Hospital.

4.0 Stalled Construction of Lumakanda Wards in Lugari

The County Executive awarded the tender for the construction of a 24-bed ward at Lumakanda at a contract sum of Kshs.8,658,445.324 December, 2015. The project which commenced on 9 February, 2016 was expected to be completed by September, 2016. The project stalled when it was about seventy percent (70%) complete. The County Executive Management decided to change the project into a health centre after realizing that wards were six (6) kilometres away from the nearest health facility. However, Management has not taken any action to implement the decision.

Consequently, value for money in constructing the wards and converting the wards into health centre has not been realised.

5.0 Irregularities in Supply of Furniture and Electronics at Bukhungu Stadium

The County Executive entered into a contract for the supply of furniture and electronics at a contract cost of Kshs.14,992,768. However, anomalies were noted as detailed below:

- i. The automatic Ice Making Machine purchased at Kshs.264,000 was not in use as at the time of the audit.
- ii. The wet and dry industrial vacuum purchased at Kshs.128,000 had not been delivered at the time of the audit.
- iii. The contracted for supply and delivery of two hundred and ten (210 square metres of 5mm carpet at a cost of Kshs.3,045,000. However, the County received one hundred and thirty-eight (138) square metres of carpet was supplied and laid out at the stadium.

Consequently, value for money has not been realised from the purchase of the furniture and electronics for the Bukhungu Stadium.

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 Unaccounted for Supply of Water Metres (1/2” and 3”)

The County Executive through the Department of Water, Environment and Natural Resources contracted for the supply water metres to facilitate control of non-revenue water in Sango Community Water Supply pipeline, Likuyani Sub-County. Review of the supporting documents for the payment revealed that the items were received vide counter receipt voucher (S13) No.2847. However, the S13 was just a photostat copy and the original could not be traced to confirm the authenticity of the delivery. Also, there were no stores ledgers (S₃ Card), counter requisition issue vouchers (S₁₁) and procurement file relating to the supplier.

Controls over store records were weak and cannot be relied upon.

2.0 Poor Internal Controls for Revenue Collection - Bukura Agricultural Training College

The Bukura Agricultural Training College collected Kshs.5,566,024 from various sources. However, review of the internal controls over revenue collection and banking revealed the following weaknesses;

- i. Used miscellaneous receipt books were not examined before issuance of new receipt books at the County Treasury.
- ii. Collection control sheets (CCS) were not used in surrendering of revenue. Also, the revenue office did not verify cash banked against cash collected to ensure that all the revenue collected was banked intact.
- iii. The County Revenue Office did not have a proper mapping of all the revenue sources at the College but relied on records as presented by the revenue collectors.

3.0 Veterinary Revenue

Revenue under veterinary was received under cashless method, which was generated from artificial insemination, meat inspection, meat carrier fee, flayers' license, movement permit, slaughter house license, premise fee - where the skins and hides are stored and

dispatch note - for transporting skins and hides. However, a block figure of Kshs.5,035,625 is recorded as having been collected in the year under review, making it difficult to verify revenue collections from various revenue centres.

Further, it was noted that the revenue collection under veterinary units had other anomalies as detailed below:

- (i) No receipts were issued on payment of revenue at the slaughter since there was no revenue collector. Also, there were no records of collections maintained throughout the year under review.
- (ii) Meat carriers were in use but fees was not being collected because there was no licence book.
- (iii) Movement permits were not issued as they were not available.

4.0 High Staff Turnover

During the year under review, three hundred and forty-two (342) members of staff left the County services through contract expiry, death, dismissal, resignation, early retirement, retirement on medical grounds and mandatory retirement. However, the human resource records availed for review did not provide reasons for exit for six (6) members of staff. In addition, there were no detailed reports for dismissal of one hundred and three (103) staff who were alleged to have been dismissed for financial misappropriation.

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 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 as 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 County Executive's financial reporting process, reviewing the effectiveness of how 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 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 Executive of Kakamega 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 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.



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 December, 2021