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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the County Executive of Laikipia set out on pages 1 to 37, 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 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 effects of the matters described in the basis for Qualified paragraph section of my report**,** the financial statements present fairly, in all material respects, the financial position of the County Executive of Laikipia 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 and County Governments Act, 2012.

Basis for Opinion

1. Inaccuracies in the Financial Statements

Whereas the statement of receipts and payments should be drawn from the combined statement of Appropriations, a comparison of the statement of receipts and payments for the year ended 30 June, 2020 reflects receipts balances that differ significantly with the balances reflected in the statement of Appropriations: recurrent and development combined as shown below:

Item	Statement of Receipts and Payments Balances (Kshs.)	Statement of Appropriations: Recurrent and Development Combined (Kshs.)	Variance (Kshs.)
Equitable Share	3,826,724,480	3,291,382,119	535,342,361
Transfers from National Government Entities	-	462,324,332	(462,324,332)
Proceeds From Domestic and Foreign Grants	95,929,000	741,880,030	(645,951,030)
County Own Generated Receipts	730,967,502	746,737,660	(15,770,158)
Proceeds from the Sale of Assets	5,200,000	5,200,000	-
CRF Opening Balances	2,958,156	39,775,495	(36,817,339)
Total	**4,661,779,138**	**5,287,299,636**	

In absence of any reconciliation or explanations, the financial statement for the statement of Appropriation: recurrent and development combined year ended 30 June, 2020 could not be confirmed.

2. Accuracy of the Cash and Cash Equivalents – Bank Balances

As disclosed in Note 13A to the financial statements, the statement of financial assets and liabilities reflects an amount of Kshs.293,291,583 under cash and cash equivalents. However, review of records revealed that the County Executive operated fifty-seven bank accounts in various banks but only seventeen (17) bank accounts has been disclosed. Management did not also submit copies of reconciliations statements for the bank accounts for audit review.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.293,291,583 reflected in the statement of financial assets and liabilities, could not be ascertained.

3. Transfer to Other Government Entities

Disclosed in Note 9 to the financial statements under transfers to other government entities is an amount of Kshs.450,010,134 in respect of current grants to government agencies and other levels of governments. Review of expenditure records revealed that included in the expenditure is an amount of Kshs.32,100,656 in respect of purchase of foodstuffs to vulnerable families under the mitigation program on the effects of Covid-19 initiated by the County. However, documents acknowledging receipt of the donations by the beneficiaries including signed list and confirmation certificates by County's Officers were not presented for audit review.

In the absence of relevant documentation, the occurrence, regularity and validity of the expenditure amounting to Kshs.32,100,656 on donations could not be confirmed.

4. Acquisition of Assets - Construction of Roads

As disclosed in Note 11 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.643,933,204 under acquisition of assets which constitutes an amount of Kshs.163,646,297 in respect of construction of roads. Examination of records revealed that during the financial year 2018/2019, the County Executive had engaged a construction company to rehabilitate Lenana road in Nanyuki town at a contract cost of Kshs.14,322,813. The contractor was paid in two tranches of Kshs.7,757,322 in 2018/2019 while an amount of Kshs.6,565,491 was paid during the year under review. It was however noted that another company had been paid an amount of Kshs.18,638,076 during the 2017/2018 financial year for the same works described as rehabilitation of Lenana road in Nanyuki town. The county government therefore, paid two firms for the same works within two consecutive financial years, an indication of possible double payments or poor workmanship leading to wasteful expenditure.

The validity and reasonableness of the expenditure totalling Kshs.33,005,889 incurred on the rehabilitation of Lenana road could therefore not be ascertained.

5. Rehabilitation of Lorola Water Project

As disclosed in Note 11 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.643,933,204 under acquisition of assets which constitutes an amount of Kshs.146,372,781 in respect of construction and civil works. Examination of documents revealed that an amount of Kshs.3,990,000 was paid to a contractor for rehabilitation of Lorola borehole. Available information indicates that during the financial year 2017/2018, the County Executive had indicated that the county owed an amount of Kshs.590,000 to the contractor for rehabilitation of Lorola borehole, resulting in an unexplained overpayment of Kshs.3,400,000. Further the dates of completion certificates for the works appear to have been altered, while inspection and acceptance report for the project was not provided for audit review.

In the circumstances, it has not been possible to ascertain the propriety of the expenditure amounting to Kshs.3,400,000 expended during the year under review.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Executive of Laikipia 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 are no key audit matters to report in the year under review.

Other Matter

1. Pending Bills – Pending Accounts Payables

As disclosed in Note 17A under Other Important Disclosures to the financial statements, The County Executive recorded pending bills – pending accounts payables amounting to Kshs.645,823,717 as at 30 June, 2020 (2018/2019-Kshs.952,593,491). The balance includes an amount of Kshs.549,516 owed to The Kenya Power and Lighting Company PLC as further disclosed in Annex 4 to the financial statements. However, The National Treasury letter ref. IGFR/COB/01/F (51) dated 23 December, 2020 addressed to all Governors and County Executive Committee Members for Finance had indicated that Laikipia County owed electricity bills amounting to Kshs.4,251,643 as at 30 June, 2020. The resultant variance of Kshs.3,702,127 has not been reconciled or explained.

Further, examination of pending bills schedules and ageing analysis revealed that some of the bills have been outstanding for a long period, some as far back as 2015/2016 financial year.

In addition, and as disclosed in Annex 5 to the financial statements, a contingent liabilities balance of Kshs.1,816,718,369 in commitments is undergoing verification by the County Pending Bills Committee to determine its validity.

Failure to settle bills during the year to which they relate distorts the financial statements for the year and adversely affects the provisions for the subsequent year which they have to be charged.

2. Budgetary Control and Performance

The statement of Appropriation: recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.6,068,376,708 and Kshs.5,287,299,636 respectively, resulting to an under-funding of Kshs.781,077,072 or 12.9% of the budget. Similarly, the Management expended an amount of Kshs.5,007,278,542 against an approved budget of Kshs.6,615,809,831 resulting to an under-expenditure of Kshs.1,608,531,289 or 25% of the budget.

Management has attributed the shortfall to significant under-collection of own revenue by Kshs.275,907,497 or 27% of the budget, an indication of an ineffective revenue collection mechanisms or revenue leakages, coupled with late Exchequer releases amounting to Kshs.664,796,930 or 17.3% which was received during the months of June and July, 2020 due to delayed disbursements of funds by The National Treasury.

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

3. Prior Year Unresolved Issues

In the audit report of the previous year, several matters were raised under Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or explained its failure to report on the progress made in resolving the issues as prescribed in the reporting guidelines issued by the Public Sector Accounting Standards Board vide The National Treasury and Planning Circular reference No. AG.4/16/3 Vol.1(9) dated 24 June, 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. Compensation of Employees

The statement of receipts and payments reflects compensation of employees' expenditure of Kshs.2,581,688,280 against approved budget of Kshs.2,584,348,741 for the year ended 30 June, 2020. However, the County Executive did not have an approved staff establishment and approved organogram to guide on staff progression and attendant remuneration, contrary to the provisions of Regulation 119(2) of the Public Finance

Management (County Governments) Regulations, 2015 which states that the budget on remuneration should be based on an approved human capital plan.

In the circumstances, Management is therefore in breach of the law.

2. Non-Compliance with the Public Finance Management Act, 2012 on Fiscal Discipline

During the year under review, the County Executive expended an amount of Kshs.2,581,688,280 on compensation of employees representing 55.4% of the total receipts of Kshs.4,661,779,138. This is contrary to the provisions of Regulation 25(1) (a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which limits the County Executive`s expenditure on wages and benefits to not more than 35% of the total revenue for the year.

In the circumstances, Management is therefore in breach of the law.

3. Non-Compliance with the Law on Ethnic Diversity

During the year under review, the total number of employees was one thousand six hundred and eighty-two (1,682) out of which one thousand three hundred and eleven (1,311) or 78 % were members of the same community. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same community.

In the circumstances, Management is therefore in breach of the law.

4. Acquisition of Assets - Construction of Buildings

As disclosed in Note 11 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.643,933,204 under acquisition of assets which constitutes an amount of Kshs.149,385,131 in respect of construction of buildings. Examination of records revealed the following unsatisfactory matters: -

4.1 Payments for Stalled Construction

The balance includes an amount of Kshs.2,974,738.80 being payments to a construction company for construction of Dol Dol Social Hall. Examination of records indicate that the contract was awarded to the firm at a sum of Kshs.8,777,000.80.

A review of the progress report indicated that the foundation works had only been done to about 10%. However, the progress report indicated that reinforcement to ring beam fabrication had been completed. Physical inspection revealed that the works had not been completed, the contractor was not on site and the work had stalled.

4.2 Proposed Construction of Early Childhood Development (ECD) Centres

4.2.1 Construction of ECDE Facilities at Igwamiti

During the year under review, Management awarded a tender for the construction of ECDE classrooms and installation of water harvesting facility in Igwamiti at a contract sum of Kshs.1,398,623.80. Expenditure records indicated that full payments of Kshs.1,398,623.80 was made during the year. However, physical verification indicated that fabricated doors and windows were poorly done and could not open or close while some windowpanes had been broken and the painting on the wall was unevenly applied.

4.2.2 Construction of ECDE Classroom at Bahati

During the year under review, examination of records revealed that an amount of Kshs.1,263,019 was paid to a contractor for construction of ECDE classroom at Bahati. The contractor was awarded the contract in 2018/2019 financial year. Similarly, an audit inspection carried out revealed that the contractor used inferior quality roofing sheets of gauge 30 instead of gauge 28 specified in the Bill of Quantities. The window grills were poorly fabricated while side painting had not been done. Whereas, the Bill of Quantities had provided for verandah supporting bar of 100mm Diameter Circular Hull (CHS), but instead, the contractor applied 50mm by 50mm square tube of inferior quality. No explanation was provided for these anomalies.

4.2.3 Construction of ECDE Classroom at Kalalu in Umande Ward

Further, a sum of Kshs.1,099,550 was paid to a contractor for construction of classroom at Kalalu ECDE under a contract awarded of the same amount. An audit inspection carried out on 09 December, 2020 indicated that the contractor used a sub-standard roofing sheet of gauge 30 instead of sheet of gauge 28 specified in the Bill of Quantities. In addition, the structure had visible cracks on the floor and walls an indication of poor workmanship.

4.3 Underutilization of Completed Projects

As disclosed in Note 11 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.643,933,204 under acquisition of assets which includes payments totalling to Kshs.6,326,358.45 to three contractors for fencing with chain link the perimeter of three projects namely; Rumuruti Jua Kali, Lamuria Jua Kali grounds and Ilopolei slaughter slab grounds at a contract price of Kshs.2,387,137.45, Kshs.2,479,999 and Kshs.1,459,222, respectively.

Physical inspection on the projects revealed that the projects had not been utilized and appeared neglected without any activities and maintenance. It is not clear whether the County Executive conducted public participation to sensitize the public on the proposed projects and ensure public ownership.

4.4 Construction of Facilities at Sipili Warehouse

Included in the construction of buildings expenditure of Kshs.149,385,131 is an amount of Kshs.8,888,547 paid to a construction company for construction of storage facility, administration block and generator room for Sipili Warehouse. The work was awarded at a contract sum of Kshs.22,974,942 to the contractor through contract Ref. No.LCG/CO4/Agri/003/2018/2019.

Physical inspection of the works revealed that minimal works was ongoing at the site. The contractor had only set up three 20 feet containers which were being fabricated. Further, the contractor had sub-contracted another firm to carry out the works, an indication that the firm awarded the contract may not have the capacity to complete the project. In addition, the contract agreement did not indicate the contract period and therefore no date was set for its completion.

In the circumstances, the objective of these projects have not been achieved and the taxpayers and the residents of Laikipia have obtained value for money on the expenditure amounting to Kshs.21,950,837 incurred on the projects.

5. Acquisition of Assets - Construction of Roads

As disclosed in Note 11 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.643,933,204 under acquisition of assets which constitutes an amount of Kshs.163,646,297 in respect of construction of roads. Examination of records revealed the following unsatisfactory matters: -

5.1 Kenya Devolution Support Programme (KDSP) - Construction of Wiyumiririe Market

During the year under review, the County Executive received an amount of Kshs.30,000,000 from the World Bank under the KDSP project. The funds were intended for improving infrastructure in the county. Management identified the construction of Wiyumiririe market to be funded under Smart Town Initiative Programme. The County Executive engaged a construction firm and provided budget allocation of Kshs.57,686,600 for the project in 2018/2019 financial year. During the year under review, the contractor was paid a total of Kshs.24,452,120 for installation of cobblestone works in the market.

However, physical inspection of the project in December, 2020 revealed that the contractor demolished an old chain link fence to the market to access the site but failed to restore it before handing over the construction. There was evidence of stagnant water in the constructed shallow drainage with some unfinished sections of the market adjacent to the Nyeri-Nyahururu road and poor workmanship on the installation of culverts.

As a result, it was not possible to confirm that the residents obtained value for money on the expenditure so far incurred on the project.

5.2 Inaccurate Project Implementation Report

Annex 6 to the financial statements on projects implementation report for the year ended 30 June, 2020 indicates that grading, gravelling, and culvert installation works in Ngeria-Gitugi road in Mukogondo East ward awarded at the cost of Kshs.3,989,472 were complete. However, an inspection carried out in December, 2020 revealed that the project had not started. In addition, several roads constructions were also indicated as complete, yet the works were abandoned while one had not commenced.

Management has not explained the inconsistencies noted in the report which may lead to loss of public funds.

6. Acquisition of Assets - Construction and Civil Works

As disclosed in Note 11 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.643,933,204 under acquisition of assets which constitutes an amount of Kshs.146,372,781 in respect of construction and civil works. Examination of records revealed the following unsatisfactory matters: -

6.1 Equipping and Reticulation of Kagaa Borehole

Included in the expenditure of Kshs.146,372,781 on construction and civil works is Kshs.2,968,398.75 paid to a firm for the equipping and reticulation of Kagaa borehole. The contract was awarded on 26 April, 2019 through request for quotation procurement method. However, tax compliance certificate for the winning bidder had expired on 19 November, 2018 which was a mandatory requirement for a bidder to be considered responsive. Further original quotation evaluation minutes were not presented for audit review.

6.2 Irregular Use of Requests for Quotation

Further, the balance includes a sum of Kshs.4,866,995.70 incurred in respect of drilling and equipping borehole at Mwiyogo Primary School. Review of records revealed that the tender was split into drilling and equipping the borehole and subsequently awarded to two different firms through requests for quotation. As a result, the total expenditure on the project exceeded the set limit of Kshs.4,000,000 threshold prescribed by the Public Procurement and Asset Disposal Regulations, 2015 set for request for quotation method.

6.3 Equipping of Kiwanja Ndege Water Project

In addition, the expenditure includes an amount of Kshs.1,909,288 paid to a contractor for equipping of Kiwanja Ndege Water Project. A review of records indicated that the Management had entered into contract with a company in 2018/2019 to equip the borehole at a contract sum of Kshs.3,596,544. However, the company failed to undertake the project as specified in the Bill of Quantities. Following the non-performance by the firm, another firm was engaged by Management to equip the borehole through quotations at a contract sum of Kshs.1,909,288 which was paid.

However, for unexplained reasons, the county again contracted a third company for the same works is likely to lead to loss of public funds.

6.4 Construction of Nosarai Primary School Water Project

The construction and civil works expenses also include expenditure of Kshs.1,551,948 paid for the construction of Nosarai Primary School Water Project. The works entailed laying of pipes from borehole, installation of a storage tank, construction of a cattle trough and fencing. However, physical inspection carried out revealed that the project was not functioning yet an inspection and acceptance report dated 11 December, 2019 confirmed that the project was satisfactorily undertaken before the handing over of the project by the contractor. The contractor included an amount of Kshs.125,000 for 2m high chain link, construction with approved posts and barbed wire which was to include lockable gate. Similarly, the value of works carried out are estimated to be only about 10% of the provision, hence the County Executive did not achieve value for money on the expenditure.

From the foregoing, the objective of these projects has not been met and the taxpayers and the residents of Laikipia have not obtained value for money on the expenditure incurred on the projects.

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 and 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. Shortfall in Revenue Collection

During the financial year under review, the County Executive had targeted to raise revenue amounting to Kshs.1,022,645,157 from local revenue sources on the budget approved by the County Assembly for the financial year 2019/2020. However, the actual amount collected was Kshs.730,967,502 as reported in the financial statements which accounts for 71.4 % of the projected revenue. Further, actual revenue realized during the year dropped by Kshs.84,802,654 (or 10%) from the previous year's collection of Kshs.815,770,156.
Further, as disclosed in Note 17C to the financial statements, the statement of financial assets and liabilities reflects pending accounts receivables (revenue arrears) balance of Kshs.6,378,002,720 in respect of property rates and rent as at 30 June, 2020. It was noted that the arrears of revenue increased by Kshs.1,127,435,176 from Kshs.4,142,734,603 for the financial year 2017/2018 to Kshs.5,270,169,779 for the financial year 2018/2019. There was similarly an increase of Kshs.1,107,832,941.00 from Kshs.5,270,169,779 for the financial year 2018/2019 to Kshs.1,107,832,941 for the financial year 2019/2020.

The above analysis is an indication that arrears of revenue continue to increase year after year. Although Management indicated that it has instituted several measures to collect the revenue arrears including establishing a County Revenue Board, issuing waivers on interest and penalties and engaging the services of debt collectors, the arrears continue to rise, an indication of ineffective strategies and action plan.

Failure to achieve revenue targets is an indication of inadequate revenue collection systems and revenue leakages which the Management should address.

2. Use of Outdated Valuation Roll

Examination of the revenue records revealed that the county did not have a valuation roll for Laikipia North Sub-County. There was no clear legal basis for collection of rent in the Sub-county. Further, it was observed that the valuation roll for Laikipia East and Laikipia North Sub-counties were last updated in 1995 and 2006 respectively.

Consequently, the continued use of outdated valuation rolls denies the County Government substantial amount of revenue which would have accrued based on current market values.

3. Internal Control Weaknesses in Revenue Management Systems

The County Executive was using Laikiapay System to collect and manage revenue as at 30 June, 2020. Analysis of data maintained by this system revealed that the county started using this system on 27 February, 2020. The county used LAIFOMS up to 30 June, 2019 prior to change over to the new system. Although it was explained that the county used SensePay system for the period 1 July, 2019 to 26 February, 2020, the information could not be verified due to lack of backups of the system. As a result, LAIFOMS and LaikipiaPay system balances for properties and houses revealed unexplained variances amounting to Kshs. 287,445,305 between the closing property rate balance in LAIFOMs system and initial balance as per LaikipiaPay system relating to eleven thousand two hundred and thirty-seven (11,237) customers while the closing rent balance variance between the LAIFOMs system and initial balance as per LaikipiaPay system amounted to Kshs.12,193,400.00 relating to two hundred and seven (207) tenants.

Further, the database for the houses, land and plots from which the county receives revenue is maintained in this system. A review of the system revealed that data relating to houses, land and plots was incomplete. Cases were noted of houses without tenant names and properties with anonymous customer names. Some of the properties did not have physical address which impairs collection of revenue from such houses, land and plots.

In addition, a review of controls on migration of data from the previous legacy systems to LaikipiaPay established that Management had not implemented strong and effective controls over migration of data. There was no formal migration strategy and no tests done before and after migration to confirm completeness and accuracy in the transfer of records and balances. No report on the status on whether the migration was successful or not while the cut-off dates on when migration was to be done or completed were not specified.

Arising from the above control weakness, it has not been possible to confirm the integrity and validity of data migration from legacy systems to LaikipiaPay system.

4. Lack of Risk Management Policy

As previously reported, the County Government Management did not have a risk management policy in place to guide the Management in risk assessment and formulation of risk mitigation strategies.

In the absence of the policy, the County Management was not capable of identifying operational areas prone to risks and to come up with mitigation measures against misuse or loss of public resources.

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 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 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 financial reporting process, reviewing the effectiveness of how the County Executive 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 based on 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 skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County 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 of Laikipia 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 of Laikipia 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

02 November, 2021