REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF THARAKA NITHI 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 Tharaka Nithi set out on pages 1 to 42, 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 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 County Executive of Tharaka Nithi 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 the County Governments Act, 2012.

Basis for Qualified Opinion

1. Own Generated Revenue

As disclosed in Note 3 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.271,605,362 in respect of county own generated revenue. However, review of records indicates the following unsatisfactory matters: -

1.1. Mismanagement of Revenue from Veterinary Services

The balance includes Kshs.24,250 (2019 Kshs.298,100) in respect of revenue from veterinary services which relates to meat inspection fees and artificial insemination services. However, daily, weekly and monthly revenue reports, revenue control sheets and records showing number of animals inspected were not provided for audit review.

1.2. Unauthorised Collection of Revenue

Examination of records revealed that meat inspection fees collected from the forty-three (43) slaughter houses across the County and revenue from artificial insemination services were not supported with banking slips showing revenue banked in County Revenue Fund (CRF). It was also noted that meat inspection fees was collected by meat inspectors without any authority from the receiver of revenue. Review of the budget revealed that revenue from veterinary services was not included in the approved budget for the year 2019/2020 which could lead to concealment of revenue..

1.3. Unreconciled receipts - Technical Services (Building Plans Approval)

The county own generated revenue includes a balance of Kshs.6,342,768 in respect of technical services (building plans approval). However, the revenue summary and revenue performance reports provided reflect a balance of Kshs.3,639,412 and Kshs.5,690,749 respectively, in respect of the same item. No explanation or reconciliation was provided for the discrepancies between the three sets of records.

1.4. Unrealistic Receipts Budget - Liquor Licenses

The balance includes a balance of Kshs.6,448,500 in respect of revenue from liquor licenses. However, the 2018/2019 financial statements reflect Kshs.15,704,110 in respect of the same item resulting to Kshs.9,255,610 or 59% decline which has not been explained. This may be a pointer to unaccounted revenue, revenue leakage or very low set target by the management. In addition, daily, weekly and monthly revenue reports and revenue control sheets were not provided for audit review.

1.5. Administrative Fees and Charges

The balance also includes an amount of Kshs.32,490,951 in respect of administrative fees and charges against an approved budget of Kshs.5,600,000 resulting to revenue over collection of Kshs.26,850,951 or 480%. This is an indicator of very low set targets or poor budget making process. However, the revenue summary reports and Integrated Financial Management Information Services (IFMIS) revenue report reflects a balance of Kshs.44,714,511 and Kshs.32,882,177 respectively. No explanation or reconciliation was provided for the variance between the three sets of records.

In the circumstances, the completeness and accuracy of the Kshs.Kshs.271,605,362 in respect of county own generated revenue for the year ended 30 June, 2020 could not be confirmed.

2. Unsupported Expenditure - Use of Goods and Services

As disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.560,753,619 in respect of use of goods and services. However, review of records indicates that several balances have not been supported with adequate verifiable documents as indicated below: -

2.1. Domestic Travel and Subsistence

The balance constitutes an amount of Kshs.65,907,613 in respect of domestic travel and subsistence which further includes Kshs.240,000 was paid as allowances to

County Executive officers. However, work tickets/bus tickets, approved requests, program of activities and back to office reports were not provided for audit review.

2.2. Other Operating Expenses

Further, the balance includes a balance of Kshs.82,503,786 in respect of other operating expenses out of which an amount of Kshs.1,236,300 paid as imprest to County Executive officers. However, documents showing how the imprest was surrendered and accounted for were not provided for audit review.

2.3. Printing, Advertising and Information Supplies and Services

In addition, the balance also includes payments amounting to Kshs.24,668,150 in respect of printing, advertising and information supplies and services which constitutes an amount of Kshs.2,100,000 and Kshs.428,040 paid to a firm for advertising. However, approved requisitions and Local Service Orders (LSOs) were not provided for audit review. Further, included in the above balance of Kshs.2,100,000 was an amount of Kshs.1,114,760 which is indicated as relating to expenditures incurred during 2017/2018 financial year. Review of documents revealed that the same was not included as pending bills in the financial statements for the years 2017/2018 and 2018/2019.

In the circumstances, the propriety and accuracy of expenditure amounting to Kshs.4,004,340 included under use of goods and services in the statement of receipts and payments for the year ended 30 June, 2020 could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Executive of Tharaka Nithi 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.

Emphasis of Matter

Discharge of Pending Bills

I draw your attention to Disclosure 1 - Other important disclosures to the financial statements which reflects an amount of Kshs.439,321,218 (2019: Kshs.493,228,840) in respect of outstanding pending bills as at 30 June, 2020. Examination of records revealed that bills amounting to Kshs.18,238,781 were not supported while the creditors' ledgers were not provided to ascertain the creditors' movement during the year.

Further, during the year under review, Management paid bills amounting to Kshs.19,494,698 in respect of construction and civil works. Examination of records revealed that the bills comprised of bills which were incurred in the last four years but were not included as a pending bills in the financial statements of the respective years. Review of the budget for the financial year 2019/2020 revealed that the pending bills had not been included in the list of pending bills in the approved budget for 2019/2020.

Failure to settle bills in the year to which they relate will adversely affect the implementation of the subsequent year's budgeted programs as the pending bills form a first charge.

My opinion is however not qualified in respect of the above matter

Key Audit Matter

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 other key audit matters to report in the year under review.

Other Matter

1.0 Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.5,119,073,806 and Kshs.4,479,989,745 respectively, resulting to an under-funding of Kshs.639,084,061 or 12% of the budget. Similarly, the County Executive expended an amount of Kshs.4,247,239,658 against an approved budget of Kshs.5,119,073,806 resulting to an under-expenditure of Kshs.871,834,148 or 17% of the budget.

Management has attributed the low performance to late disbursement of the Exchequer from The National Treasury where out of the Kshs.4,116,647,949 in respect of actual exchequer releases, Kshs.765,297,000 or 19% was received by the County Government between 4 June 2020 and 24 June 2020 giving little time to execute the budget.

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

2.0 Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the 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 given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: 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 procedures performed, except for the matters described in the 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. Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

The statements of receipts and payments reflects an expenditure of Kshs.2,015,104,735 on compensation of employees representing 46% of the total receipts of Kshs.4,388,338,643. This is contrary to the provisions of Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that county government's expenditure on wages and benefits for its public officers, shall not exceed thirty-five (35) percent of the county government's total revenue for the year.

Consequently, Management is in breach of the law.

2. Non-Compliance with Human Resource Policies and Procedures Manual for Public Service, 2016

Note 6 to the financial statements reflects Kshs.2,015,104,735 in respect of compensation of employees. However, review of the personal files provided for audit revealed that ten (10) employees were employed on five (5) year contract contrary to Section B.20(4) of the Human Resource Policies and Procedures Manual for Public Service, 2016 which stipulates that contract appointments will be limited to a maximum period of three (3) years, renewable subject to demonstrable performance and other terms of the contract.

Further, the County Public Service Board renewed a contract for an Early Childhood Development Education (ECDE) teacher for a period of one year from 1 March, 2020 to 28 February, 2021. However, a review of documents and payroll revealed that, the teacher who was on a two-year contract from 1 March, 2018 to 28 February, 2020 had already attained the age of 60 years at the time of expiry of the contract. No explanation was provided why the County Public Service Board renewed the contract contrary to Section D.21 of the Human Resource Policies and Procedures Manual for Public Service, 2016 which stipulates that all officers shall retire from the service on attaining the mandatory retirement age of 60 years.

In the circumstances, Management is in breach of the manual.

3. Non-Compliance with the Public Procurement and Assets Disposal Act, 2015

3.1 Splitting of Tenders

During the year under review, Management paid an amount of Kshs.5,278,000 for branding of assorted items. However, the supply was split into three (3) and awarded to three (3) different suppliers at Kshs.1,972,000, Kshs.1,821,200 and Ksh.1,484,800 using request for quotation method of procurement contrary to Section 54.(1) of the Public Procurement and Asset Disposal Act, 2015 and first schedule to legal notice number 106 of the Public Procurement and Disposal (Amendment) Regulations, 2013 which stipulates that no procuring entity may structure procurement as two or more procurements for the purpose of avoiding the use of a procurement procedure. The maximum level of expenditure on use of request for quotation of goods is Kshs.2,000,000.

3.2 Use of Suppliers not Prequalified

Further, Management paid an amount of Kshs.160,000 to a supplier for provision of air ticket. However, the supplier was not in the updated list of registered suppliers provided for audit review contrary Section 95(3) of Public Procurement and Asset Disposal Act, 2015 which stipulates that a procuring entity shall invite tenders from only the approved persons who have been pre-qualified.

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

4. Non-Compliance with the Public Finance Management (County Governments) Regulations, 2015

During the year under review, Management paid for various projects and procured good and services for the County. However, review of the records revealed several instances of non-compliance with the law of outlined below:

i) Receipts of good after LPO Validity Period

Management paid an amount of Kshs.24,668,150 in respect of printing, advertising and information supplies and services which further includes Kshs.553,000 paid to a supplier for supply of stationeries. Review of documents provided for audit revealed that, the Local Purchase Orders (LPO) were issued on 6 March, 2020. However, the stationeries were delivered on 11 July, 2020 approximately three (3) months after the LPO was issued contrary to Section 52.(1)(2) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that local purchase order or local service order shall be valid for a period of thirty days from the date of issue and any public officer who receives goods or services beyond the stipulated period specified commits an offence.

ii) Delayed Construction of Githioroka Bridge

During the year under review, a contractor was awarded the tender for the construction of Githioroka Bridge at a contract sum of Kshs.12,501,320. An amount of Kshs.8,334,832 was paid but only Kshs.7,000,000 was approved out of a contract sum of Kshs.12,501,320 resulting to over expenditure of Kshs.1,334,832 in the year under review without approval. However, the funds required for completion of the project Kshs.4,166,488 was not included in the County Executive budget for 2020/2021 contrary to Section 116(2) of the Public Financial Management (County Government) Regulations, 2015 which stipulates that an accounting officer shall ensure that the funds are re-voted for the project in the following financial year in order to continue the implementation of the project. No explanation was provided for the anomaly and it was not clearly how the project will be completed.

In addition, physical verification carried out in September, 2020 revealed that construction of the bridge is not completed and the contractor was not on site as the project appeared to have stalled.

iii) Incomplete Levelling and Improvement of Kairuni Playground

On 22 February, 2019, Management paid an amount of Kshs.4,597,451 for levelling and improvement at Kairuni playground as part payment for a contract cost of Kshs.12,993,654. Review of Bills of Quantities revealed that the contractor was supposed to construct a project manager's office, store, install water and electricity at cost of Kshs.305,000 which has already been paid for. However, physical verification carried out in September, 2020 revealed that the contractor was not on site and work appeared to have stalled. No explanation was provided on how the County Executive intended to complete the project. Further, although the works had not been completed, no budgetary allocation had been provided for the completion of the project in 2019/2020 and 2020/2021 financial years budgets contrary to Section 116 (2) of the Public Financial Management (County Government) Regulations, 2015 which stipulates that an accounting officer shall ensure that the funds are re-voted for the project in the following financial year in order to continue the implementation of the project.

iv) Construction of Chiakariga Water Project

During the year, Management paid an amount of Kshs.3,771,630 on construction and civil works to a contractor for construction of a water tank, pump house and connection of main water supply pipes at Chiakariga Market. However, physical verification carried out in September, 2020 revealed that the pump house and water tank were constructed but were not in use since the same were not connected to the main water supply. Further, seven (7) items in the Bill of Quantities valued at Kshs.303,850 had been paid for but were not supported by relevant documents including approved measurements of work done contrary to Section 104. (1) of the Public Financial Management (County Government) Regulations, 2015 which stipulates that all payments shall be properly supported by payment vouchers, appropriate authority and documentation.

v) Failure to Adhere to the Approved Budget

Further Management made payment amounting to Kshs.55,980,000 in respect of purchase of vehicles and other transport equipment. The balance includes a balance of Kshs.38,400,000 paid to a supplier for purchase of thirteen (13) motor vehicles. Review of approved procurement plan, revealed that the Department of Finance and Economic Planning had budgeted to purchase eleven (11) double cabin pickups at a cost of Kshs.66,000,000. However, the department purchased ten pickups and three (3) Sports Utility Vehicles (SUVs) at a cost of Kshs.38,400,000.

Further, included in Kshs.55,980,000 was Kshs.17,580,000 spent by Health Department on purchase of three (3) double cab pickup. However, review of approved Health Department procurement plan revealed that the purchase of the three (3) motor vehicles was not included in the Health Department approved procurement plan.

In addition, review of the Health Departments approved procurement plan revealed that Kshs.5,860,000 was budgeted for purchase of an ambulance but the same was spent on purchase of Toyota Double Cab. No explanation was provided why the departments deviated from their approved procurement plan contrary to Section 50(2)(3) of Public Finance Management (County Governments) Regulations, 2015 which stipulates that expenditure commitments for goods and services shall be controlled against spending and procurement plans approved by the responsible accounting officer in accordance with the Public Procurement and Disposal Act, 2015 and Regulations made thereunder, based on allocations and allotments from approved budgets.

In the circumstances, Management is in breach of the law and the value for money for the expenditure for the year ended 30 June, 2020 could not be ascertained.

5. Non-Compliance with the Public Finance Management Act, 2015

During the year under review, Management made payment of Kshs.4,634,100 spent on shipping cost and associated fire kits for two (2) fire engines that were donated to the County Executive by a donor from United Kingdom. However, review of documents provided for audit review indicated that County Executive Committee Member (CECM) for finance's authority to pay for the shipping and associated fire kits costs was not given contrary to Section 138(6)(b) of the Public Finance Management Act, 2012 which stipulates that if a project that is being financed by a grant or donation from a development partner requires county government funding, the project may only be started when the County Executive Committee Member for Finance has given a written authorization for the project to begin.

Further, review of approved budget for the financial year 2019/2020 revealed that the expenditure had not been budgeted for contrary to Section 138(6)(a) of the Public Finance Management Act, 2012 which stipulates that grant or donation from a development partner may be started when funding has been appropriated in accordance with this Act or is otherwise authorized by legislation. The documents showing the name and quantity of fire kits delivered were not provided for audit review.

In the circumstances, the County Executive is in breach of the law and value for money for the expenditure could not be ascertained.

6. Other Accounts Receivables (Debtors)

Annex V to the financial statements reflects Kshs.52,693,052 in respect of other accounts receivables (debtors) as at 30 June, 2020 which relates to outstanding plot rents which includes Kshs.43,208,302 which has been outstanding for over one (1) year. However, measures taken by Management to ensure collection of the long outstanding rents were not explained contrary to Section 63(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that an accounting officer shall take adequate measures to obtain payment of any outstanding amounts including legal action where appropriate.

In the circumstances, Management is in breach of the law

7. Management of Retention Money

Review of the bank statements revealed that Kshs.36,945,209 was transferred from the deposits account on 29 July, 2019 to recurrent account contrary to Section 47(1)(e) of the Public Finance Management (County Government) Regulations, 2015 which stipulates that allocations earmarked by the County Treasury for a specific purpose may not be used for other purposes, except with Treasury's approval. No explanation was provided on how the management intended to replenish the account and pay retention money to suppliers when due.

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

8. Account Receivables (Outstanding Imprests)

Annex IV to the financial statements reflects Kshs.1,907,330 in respect of account receivables (outstanding imprests) as at 30 June, 2020 which were issued between 11 November, 2017 and 20 April, 2020. However, the imprest had not been surrendered or accounted for at the time of this audit in September, 2020 which is between five (5) and thirty-four (34) months since the imprests were issued contrary to Section 93(5) of the Public Finance Management (County Government) Regulations, 2015 which stipulates that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station.

Further, explanation on measures taken to recover the long outstanding imprests was not provided for audit review.

In the circumstance, Management is in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for 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 Project Implementation Status

The summary statement of appropriation: development for the year under review reflected an approved budget of Kshs.1,670,370,681 earmarked for project implementation during the year under review. Review of the County's project implementation status report provided for audit review revealed that two hundred and sixty - one (261) projects worth Kshs.1,670,370,681 were budgeted to be implemented during the year under review. However, one hundred and seventy - five (175) projects worth Kshs.826,331,702 had been completed at a cost of Kshs.718,695,319 and in use while sixty-three (63) projects worth Kshs.638,402,596 were ongoing, twenty-two (22) projects worth Kshs.202,636,383 had not started and one (1) project worth Kshs.3,000,000 had stalled as at 30 June, 2020.

Therefore, there is need for the County Executive's management to review its project management mechanism with a view to prioritizing those projects which will be implemented during the financial year resulting to higher impact of improving service delivery to the residents of Tharaka Nithi County.

In view of the above, the residents of Tharaka Nithi County did not get services as budgeted from the sixty-three (63) projects worth Kshs.638,402,596 which were ongoing, twenty-two (22) projects worth Kshs.202,636,383 which had not started and one (1) project worth Kshs.3,000,000 which had stalled as at 30 June, 2020 due to poor project management and governance.

2.0 Ineffective Management of Fixed Asset

Annex VI - summary of non-current assets to the financial statements reflects assets with cumulative historical cost of Kshs.4,056,909,966 as at 30 June, 2020. However, fixed assets register provided for audit review reflects a list of assets acquired during the financial year ended 30 June, 2020 without reflecting their respective costs or historical value. Further, the register did not include assets acquired in the previous financial years.

Further, the above historical cost includes a balance of Kshs.4,386,080 in respect of purchase of a parcel of land respectively. However, details of the land including ownership documents were not provided for audit review. Whereas the County Government owned one hundred and seventy-eight (178) vehicles but Management provided ownership documents for audit review thirty (30) vehicles leaving one hundred and forty-eight (148) motor vehicles. In addition, specific motor vehicles cost and date of purchase were not provided for audit review.

In addition, the above historical costs include a balance of Kshs.187,064,472 in respect of purchase of Information Communication Technology (ICT) equipment, software and other ICT assets which constitutes amounts of Kshs.745,218 and Kshs.280,000 paid to two suppliers for the supply of seven (7) laptops which have not included in the assets register. Review of fixed assets registers and physical verification of the assets revealed that the assets were not tagged for ease of identification and movement.

In the circumstances, the existence of an effective mechanism to safeguard and secure the County's assets cannot be established.

3.0 Information Communication Technology (ICT) Environment

Review of the County Executive's ICT environment revealed that there was no formal approved ICT policy in place as at 30 June, 2020. The policy would have included data security, data integrity and disaster recovery plans.

In the circumstances, the security and reliability of the County Executive's data including the management information system could not be ascertained.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, 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 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 County Executive's 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 entity 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 with limited assurance as to 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 in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the County Executive's 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 going concern 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 as a going concern or 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