REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF WAJIR 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 Wajir set out on pages 1 to 30, which comprise the statement of assets and liabilities as at 30 June, 2020, statement of receipts and payments, statement of cash flows, and the summary statement of appropriation - recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the County Executive of Wajir 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. Cash and Cash Equivalents

As disclosed in Note12 to the financial statements, the statement of assets and liabilities reflects a balance of Kshs.767,501,817 in respect of cash and cash equivalents which includes an amount of Kshs.26,214,434 for two fund accounts and two revenue collection accounts listed below:

Account	Account Type	Balance as at 30 June, 2020 Kshs.
Emergency Fund	Fund account	229,004
Revolving Fund	Fund account	15,368,065
Wajir County Local Revenue	Revenue collection account	9,575,815
Wajir County health Local Revenue Account	Revenue collection account	1,041,550
Total		**26,214,434**

The two fund accounts should have separate books of accounts and separate financial statements prepared and therefore their balances are to be reported separate from the financial statements of the County Executive.

Consequently, the accuracy and completeness of the bank balance for the year ended 30 June, 2020 has not been confirmed.

2. Un-Receipted Exchequer Releases

As disclosed in Note 1 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.8,982,940,388 under Exchequer releases. However, examination of IFMIS reports revealed that receipts amounting to Kshs.3,950,486,126 were not receipted in IFMIS.

Consequently, the accuracy and completeness of Exchequer receipts captured in the financial statements of Kshs.3,950,486,126 could not be confirmed.

3. Failure to Disclose Own Source Revenue

As disclosed in Note 7.9 – Other important disclosures at 7.9.4 under disclosure of balances in the revenue collection accounts on the financial statements, the Wajir County Health Local Revenue Account had a balance of Kshs.1,041,550 and Wajir County Local Revenue account had a balance of Kshs.9,575,815 as at 30 June, 2020 making revenue collection totalling Kshs.10,617,365 for both accounts. However, the revenue monies were not recognized as part of the own source revenue for the year under review.

In the circumstances, County's own source revenue is understated by Kshs.10,617,365 and the accuracy of the receipts reflected in the statement of receipts and payments cannot be ascertained.

4. Unsupported Expenditure - Use of Goods and Services

As disclosed in Note 6 to the financial statements, the statement of receipts and payments reflects use of goods and services expenditure totalling Kshs.1,310,997,532. However, examination of records revealed the following unsatisfactory observations: -

4.1. Processing of Payments Outside IFMIS

The balance includes an amount of Kshs.152,314,851, Kshs.68,124,618 and Kshs.14,259,978 on domestic travel, training expenses and utilities supplies and services, respectively. However, examination of the payment schedules in support of the expenditure revealed that payments totalling Kshs.113,952,153 were made outside IFMIS. The payments were made from imprest account through cheques issued to individuals.

4.2. Domestic Travel and Subsistence

Further, the balance includes an amount of Kshs.152,314,851 paid as domestic travel and subsistence allowances. Examination of payment vouchers and other supporting documents revealed that an amount of Kshs.6,450,500 was paid to officers who were attending workshops, trainings and other official duties outside the County. However, the payment vouchers were not supported with invitation letters, pre-travel approvals and training programs for the trainings attended. There was no workshop attendance register, reports of activities carried out and travel evidence such as vehicles' work tickets.

4.3. Fuel Oil and Lubricants

In addition, the balance includes an amount of Kshs.92,630,276 incurred on fuel, oil and lubricants. However, examination of payment vouchers and other records revealed that diesel worth Ksh.27,438,318 was not supported with relevant documents. The fuel registers maintained did not indicate the date fuel was drawn and registration numbers of the vehicles fueled. It was also noted that some of the vehicles that were fueled had defective speedometer hence it was not possible to confirm whether the vehicles were operational and were used for official assignments.

In view of the above anomalies, the accuracy, completeness and validity of expenditure amounting to Kshs.147,840,971 included in the statement of receipts and payments for the year ended 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 Wajir Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report during the year under review.

Other Matter

1. Budget Control and Performance

The summary statement of appropriation recurrent and development combined reflects actual expenditure of Kshs.10,881,990,623 against approved budget of Kshs.11,483,329,248 resulting to under-collection of Kshs.601,338,625 or 5% of the approved budget. Similarly, the County Executive expended an amount of Kshs.10,114,488,806 against the approved budget of Kshs.4,102,179,444 against an approved of Kshs.11,483,329,248 resulting to under-expenditure of Kshs.1,368,840,442 representing 14% of the approved budget.

It was however noted that recurrent exchequer receipts and proceeds from domestic and foreign grants amounting to Kshs.1,153,126,614 were received in June and July, 2020. Due to late remittances by National Treasury, the County Government could not undertake the planned and budgeted for programmes and thereby adversely impacting on service delivery.

The under absorption of funds meant that some of the planned activities were not executed which in turn hindered economic activity and service delivery to the residents of Wajir County.

2. Unsupported Pending bills

Annex 2 to the financial statements reflects pending accounts payables balance of Kshs.995,766,591 as at 30 June, 2020. However, audit review of the pending bills revealed that important information such as contract number, local purchase order/local supply order numbers, sum contract, date contracted, amount paid to date and balances for the financial year were not provided.

Further, verification of the pending bills revealed that bills amounting to Kshs.79,819,745 but supporting documents such as delivery notes and completion of works certificates, inspection and acceptance certificates and Counter Receipt Vouchers (S13) were not in the files. Further the subject files for pending bills amounting to Kshs.131,783,105 were not provided for audit verification.

In addition, an analysis of the pending bills revealed that an amount of Kshs.241,176,587 related to the financial year ended 30 June, 2019. However, the Management did not settle this pending bill contrary to the Presidential Directive issued on 1 June, 2019 which required all accounting officers of public entities to ensure that all pending bills were settled before the end of 30 June, 2019.

Failure to settle bills during the year in which they relate to distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

3. 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.

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 Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections 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-Submission of Financial Statements

As disclosed under other important disclosures in the financial statements, the County Executive had established several corporate bodies which include the Wajir Water and Sewerage Company, the County Executive of Wajir Bursary Board, the Wajir Climate Change Adaptation Fund, and the County Executive Revolving Fund. However, Management did not prepare and avail separate financial statements to account for the operations of the entities contrary to Section 167 of the Public Financial (County Governments) Management Act, 2012 which requires County entities to prepare and submit financial statements in the format prescribed by the PSASB.

Consequently, Management is therefore in breach of the law.

2. Unauthorized Expenditure

During the year under review, the approved budget for compensation of employees was Kshs.3,316,038,030 and social security benefits had nil budget. However, the Management incurred total expenditure of Kshs.3,565,920,499 for compensation of employees and Kshs.143,937,716 and social security benefits resulting to total over expenditure of Kshs.381,800,981 on the two components without authority.

This was contrary to regulation 42(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which provides that an Accounting Officer shall ensure that public funds entrusted to their care are properly safeguarded and are applied for purposes for only which they were intended and appropriated by the County Assembly.

Consequently, Management is therefore in breach of the law.

3. Unapproved Collection of Revenue

During the year under review, the County Executive collected revenue amounting to Kshs.60,417,086 from own sources. However, it was noted that the County Finance Bill, 2020 submitted to the County Assembly setting out the revenue raising measures for the County government for the 2019/2020 was not approved by the County Assembly.

Consequently, Management is therefore in breach of the law.

4. Non-Remittance of Statutory Deductions

During the year under review, the Management made deductions amounting to Kshs.451,425,060 from staff salaries inform of Pay As You Earn, National Social Security Fund and other pension deductions but remitted a total of Kshs.190,758,324 only to the respective organizations. The difference of Kshs.260,666,736 had not been remitted as at 30 June, 2020. Failure to remit deductions exposes the County Executive to additional costs in form of penalties and interests while compromising the welfare of staff upon retirement.

Consequently, Management is therefore in breach of the law.

5. Irregular Contribution to Council of Governors

During the year under review, Management paid Kshs.5,936,280 to the Council of Governors as membership fees. This is contrary to the provisions of section 37 of the Intergovernmental Relations Act, 2012 which states that the operational expenses in respect of the structures and institutions established in the Act shall be provided for in the annual estimates of the revenue and expenditure of the national government.

Consequently, the Management is in breach of the law.

6. Non-Compliance with Public Procurement and Assets Disposal (Amendment) Regulations, 2015

During the year under review, Management spent an amount of Kshs.3,998,689.65 on supply and delivery of a backup generator through request for quotation. This contrary to the requirements of Legal Notice No.106 of 18 June, 2013, on the amendments of the Public Procurement and Assets Disposal Regulations, 2016 which provides a new threshold matrix requiring value of goods and services above Kshs.2,000,000 to be procured through open tender. However, some of the mandatory requirements such as valid business permits and valid tax compliance certificates required for evaluation of the tenders were not met.

Further, the procurement processes and transactions for the 2019/20 financial year revealed that Management did not procure goods, works and services through the e-procurement platform.

Consequently, the Management is in breach of the law.

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

Management awarded contracts worth Kshs.182,044,780 to suppliers and contractors using quotations. However, the contractors were not among the list of prequalified suppliers under the respective categories of goods and works supplied. It was not clear how the contractors were identified for the contracts awarded.

Consequently, the Management is in breach of the law.

8. Non-Compliance with Withholding Tax and VAT Act, 2013

During the year under review, Management awarded a contract for the proposed rehabilitation of Wajir town roads to bitumen standard vide tender No. WCG/T/RT/56/2018-2019 at a contract price of Kshs.43,805,208**.** Examination of payment records and tender documents revealed that the works were completed and full payment made to the contractor. However, it was noted that 3% withholding tax and 6% VAT amounting to Kshs.3,579,942 was not deducted from the payments.

Consequently, the Management is in breach of the law.

9. Supply and Delivery of Emergency Relief Food

Examination of payment records for the year under review revealed that Management procured relief food worth Kshs.265,427,300 for distribution to the draught stricken families in various parts of the County. However, Management through tender No: WCG/SP/OT/2019-2020 entered into a framework contract for the supply and delivery of relief food and assorted items with four companies, contrary to provisions of Section 114(c) of the Public Procurement and Assets Disposal Act, 2015 which requires a minimum of seven alternative vendors to be included for each category.

Further, the number of household's beneficiaries and distribution schedules showing the date and specific venue where food was distributed, identity cards of beneficiaries and quantity of food given out were not provided for audit review. It was therefore not possible to confirm whether the food stuffs procured were received and distributed to the intended beneficiaries.

In addition, there was no evidence that the County Executive Committee member for finance sought approval from the County Assembly after making payments from the Emergency Fund as required by Section 114(1) of the Public Finance Management Act, 2012.
Consequently, the Management is in breach of the law.

10. Irregularities in Procurement of Legal Fees

During the year under review the County Executive paid Kshs.21,139,000 as legal fees to law firms. However, examination of payment records and other supporting documents revealed that an amount of Kshs.17,659,000 was paid to one (1) company. This therefore implies that most of the legal cases were handled by one (1) firm although there were twenty (20) law firms prequalified. It was noted that the firm was established in 2016 trading under a different business name.

Further, a firm which was not in the prequalified list under provision of legal services was directly engaged and paid Kshs.3,480,000.

Under the circumstances, it was not possible to ascertain whether the law firm met the eligibility and capability criteria as provided under Section 71(2) of the Public Procurement and Asset Disposal Act, 2015.

11. Irregular Procurement on Covid-19 Allocation

During the year ended 30 June, 2020, Management spent Kshs.105,250,000 on procurement of medical supplies under the Covid-19 Response Plan through direct procurement method. A review of the payment records, tender documents and other records revealed the following anomalies: -

i) The budget for Covid-19 provided for audit did not indicate the specific details of the items, projects planned for implementation and cost estimates for the projects. Therefore, it was difficult to link the implementation of the Covid-19 programmes with the budget.

ii) Two of the companies awarded the contracts were less than one-year-old since incorporation and one (1) company was one year and three months old, a clear indication that the suppliers had no qualification and experience to supply the stores.

iii) The tenders were awarded to private companies for supply of drugs and medical supplies instead of KEMSA contrary to the requirements of Section 4(3) of the Kenya Medical Supplies Authority Act, 2013 which provides that a national or county public health facility shall, in the procurement and distribution of drugs and medical supplies, obtain all such drugs and medical supplies from the Authority subject to (a) the drug being duly registered by the Board; and (b) the drugs and medical supplies meet the standards of quality and are efficacious as authorized by the Board.

iv) Examination of tender evaluation minutes, revealed that three (3) companies were given a score of 10/10 for past experience. However, a review of their company profiles, the bidders had not done similar works before, but were given maximum score by the evaluation committee.

v) One of the companies engaged by the Management was given a score of ten (10) marks for having power of attorney and sworn affidavit in its tender documents.

However, a review of its company profile revealed that the power of attorney was not filled and signed before commissioner of oath as required. It was further noted that the contractor had no past experience contrary to the evaluation criteria for the tender.

vi) There was no evidence of market survey conducted to inform the placing of orders or adjudication by the relevant award committee. One of the companies supplied 6250 boxes of surgical face masks at Kshs.3,992 per box. Based on market price index survey published by Public Procurement Regulatory Authority in October, 2020, the average price of surgical face masks in Nairobi was Kshs.2,100. The Management would have saved Kshs.11,825,000 had the masks been procured using the prevailing market prices.

vii) The Management did not report the use of direct procurement to Public Procurement and Regulatory Authority within fourteen (14) days after notification of award of contract as required under Section 62(3) of Public Procurement Regulations, 2006.

viii) Further examination of the Covid-19 expenditure revealed that relief food worth Kshs.23,588,700 was procured under the Covid-19 emergency budget instead of using the allocation for emergency relief included in the annual budget.

ix) Examination of payments vouchers, tender documents and other records relating to Covid-19 renovation works for the year under review revealed that the management awarded contract of Kshs.8,953,706 for fencing the isolation area, renovation of dormitory and ablution block for coronavirus male and female isolation unit at Wajir Girls Secondary School. However, the contracts were split into three contracts and awarded to the same contractor through request for quotation instead of other alternative procurement methods. No plausible explanation was provided by Management for slitting the works and the use of quotation.

x) Management awarded a tender for supply and delivery of 2,000 packs of N95 face mask each at unit price of Kshs.995 for the department of health vide local purchase order No: 009840. A review of stores records and discussion with the stores man revealed that only 200 packs of N95 face mask were delivered vide S13 No: 8790710 and taken on charge in store ledger. The balance of 1,800 packs worth Kshs.1,796,690 were not delivered although payment was made for the supplies.

xi) A company supplied 1210 packs of N95 respiratory face masks at Kshs.1,500 per pack, while another different company supplied similar supplies at Kshs.600 per pack during the same period and therefore a clear indication that no market survey was carried out before the quotations were floated to ensure the prices of the commodities were reasonable and value for money is derived from procurement of the masks.

Consequently, the Management is in breach of the law and it has not been possible to confirm if citizens of the Wajir County got value for money from the allocated Covid-19 Fund.

12. Splitting of Contracts for Procurement of Works, Goods and Services

During the period under review, the Management awarded contracts worth Kshs.247,643,871 through request for quotation. Examination of the contract documents revealed that contracts were structured in a manner to ensure that the procurement falls within the request for quotations threshold in order to defeat competition for the contracts. It was noted that works of similar nature within the same project locality were split and awarded to different contractors and in some instances to the same contractor.

Further, medical equipment worth Kshs.29,875,500 were procured through request for quotations. However, the contracts for the medical equipment were split to defeat use of open tender as a choice of procurement. Verification of the prices charged for some of the items revealed that the prices were highly inflated compared to the prevailing market prices. There was no evidence that any market survey was carried to establish the prevailing market prices before awarding the contract.

Consequently, the Management is in breach of the law.

13. Contract Agreements Signed Before Lapse of Mandatory Period

A review of procurement records for a sample of contracts revealed that Management entered into seventy-nine (79) agreements for contracts worth Kshs.286,277,748. The contracts were signed between the Accounting Officer and the contractors before lapse of the mandatory fourteen (14) days after the notification of award as required by Section 35(3) of the Public Procurement and Asset Disposal Act, 2015.

Further, a review of project files for projects worth Kshs.436,480,211 indicated that notification letters of regrets were not sent to unsuccessful bidders as required by Section 87(3) and Section 126(4) of Public Procurement and Asset Disposal Act, 2015.

Consequently, the Management is in breach of the law.

14. Delayed Completion of Roads Projects

During the period under review, the County Executive initiated contracts for improvement of three (3) roads within Wajir Town to bitumen standards at a contract sum of Kshs.320,264,053. The project commencement orders were issued on 24 January, 2017 and were expected to be completed by 24 September, 2017. The contractors requested for an extension of contract period and were granted extension of seven (7) months to July, 2018. The total payments made to the contractors as at 19 December, 2020 was Kshs.236,695,497.

However, physical verification of the project carried out on 19 December, 2020 revealed that the projects were incomplete and there was no sign of work in progress. The performance security bond for the projects had long expired and the Management did not request the contractors to renew their performance bonds as required by Section 41(4) and (5) of the Public Procurement and Disposal Regulations, 2006. No plausible explanation was provided by Management for the stalled works. In addition, the plans, if any, set to revive and complete the projects, were not disclosed.

In the circumstances, the value for money to the residents of Wajir County from the expenditure amounting to Kshs.236,695,497could not be confirmed.

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 procedures performed, except for the matters described in the Basis for Effectiveness of Internal Controls, Risk Management and Governance sections 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. Decline in Own Generated Revenue

During the year under review, Management had budgeted to collect local revenues totaling Kshs.150,000,000. However, an audit review of revenue records and bank statements revealed collection of only Kshs.60,417,068 resulting to a shortfall of Kshs.89,582,914 or 60% of the budgeted amount. A review of performance for the past four (4) years has indicated a declining trend in local revenue against the budget as shown in the table below: -

Year	Budgeted Revenue Kshs.	Actual Revenue Kshs.	Variance Kshs.	Percentage (%) Variance
2019-2020	150,000,000	60,417,086	89,582,914	60%
2018-2019	200,000,000	60,123,112	139,876,888	70%
2017-2018	150,000,000	56,599,351	93,400,649	62%
2016-2017	230,119,550	75,150,051	154,969,499	67%

Management did not provide satisfactory explanations on why it continued to retain high revenue targets despite the fact that the actual revenue collected was far below the budgeted targets.

In view of the foregoing, decline in revenue collection is an indication of ineffective and weak revenue collection strategies and adversely affects the provision of services to the residents of Wajir County.

2. Poor Management of Assets

Annex 3 to the financial statements includes a summary of fixed assets which indicates that the County Executive owned assets valued at Kshs.12,452,875,974 as at 30 June, 2020. However, the register did not reflect sufficient details on the assets as required by the International Public Sector Accounting Standard (IPSAS) 17 and the reporting format prescribed by the Public Sector Accounting Standards Board. The register did not disclose information including serial numbers of the assets, their dates of acquisition, descriptions, location, class, cost of acquisition, accumulated depreciation and net book value and identification codes.

Further, during the year under review, Management procured one (1) Land Cruiser Pick-Up (CKD) and two (2) Model Elcher pro 3009D Truck worth Kshs.15,539,482. The vehicles were procured through open tender, received and were in use. However, logbooks for the motor vehicles were not provided for audit verification.

In the circumstances, it has not been possible to confirm the existence of a robust policy in the management of the county assets.

3. Weakness in Internal Controls

Examination of sampled payment vouchers revealed weaknesses in enforcement of internal controls designed for ensuring effective administration of public funds. As a result of weaknesses in the enforcement of internal controls, payments totalling Kshs.21,659,263 were made without authorization by the accounting officers.

In view of the anomalies, the County Treasury operates without strong internal controls and could lead to fictitious expenditure.

4. Lack of Disaster Recovery Plan

During the year under review, Management did not carry out risk assessment and the impact of an outage or disruption to the ICT system. There was also no IT disaster recovery plan, hence a significant delay or disruptions of activities may occur. Additionally, Management may not recover or restore critical infrastructure services and systems affecting all operations that rely on the information communication technology.

In the circumstances, it was not possible to confirm existence of measures to safeguard the ICT environment.

5. Lack of Audit Committee

The Management had not established an Audit Committee to monitor the entities' governance processes, accountability processes and control systems, offer objective advice on issues concerning risk control and governance and associated assurance and also follow up on the implementation of the recommendations of internal and external auditors.

In the circumstances, I am unable to confirm existence of effective overall governance measures at the County.

6. Compensation of Employees

As disclosed in Note 5 to the financial statements, the statement of receipts and payments for the year ended 30 June, 2020 reflects compensation of employees' expenditure totaling to Kshs.3,565,920,499. However, audit review of the component revealed the following anomalies;

6.1. Failure to Maintain Staff Establishment

Management did not maintain an approved staff establishment that indicates the optimal number of staff for each category, the number in post and the variance. A review of the IPPD payroll and bank remittance schedules for the year under review revealed that two (2) employees were sharing bank accounts and they were paid salaries The officers are in different job groups with different names. However, the management paid them using one account but did not clarify the relation of the two (2) officers.

6.2. Irregular Engagement of Casual Employees

During the year under review, Management spent Kshs.197,024,618 on payment of wages for temporary or casual employees. Examination of records for casual payments revealed the following;

i) Muster rolls for the casuals were not provided for audit review.

ii) Some casuals were assigned job groups such, H, K, L and N which ordinarily apply to employees appointed on contractual and permanent basis of employment.

iii) Some casual employees shared Kenya Revenue Personal Identification Numbers. In the circumstances, it was not clear how the Pay As You Earn deducted from their salaries was transmitted to Kenya Revenue Authority.

iv) According to the manual payroll for June, 2020, a total of 156 casuals who were in the payroll were engaged continuously for more than three months. It was further noted that they were not attached to any specific department or any specific area of deployment in the County Executive. It was therefore not possible to confirm whether they provided any services to the County.

v) Even though the monthly deductions in respect of both the NHIF and NSSF were done on their wages, the manual payrolls did not indicate the KRA PIN, NHIF and NSSF registration numbers for some casual employees. It was not clear how the deductions were remitted to the respective statutory organizations.

6.3. Irregular Engagement of Employees on Interim Basis

During the financial year under review, the County Executive engaged some employees on interim positions. A review of their appointments revealed the following anomalies: -

i) The County Public Service Board did not maintain an approved staff establishment. It was therefore not possible to confirm whether the interim positions were available to be filled.

ii) Management did not provide evidence to confirm that the positions were competitively filled by County Public Service Board as required.

iii) Some of the staffs appointed to the interim positions were in job groups H, K, L and N which would ordinarily be job groups for appointments on contract or permanent basis.

iv) Salaries paid to officers appointed on interim positions were not based on salary structure grading issued by the Salaries and Remuneration Commission.

6.4. Manual Payroll

A review of the payroll records established that the County Executive maintained both IPPD payroll with a total of 3,260 employees and the manual payroll (excel sheet) with a total of 1,357 employees. No plausible explanation was provided by Management for maintaining the two (2) sets of payrolls.

In the circumstances, the existence of a strong Human Resource Policy Framework cannot be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material aspects. 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 services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to dissolve the County Executive, or cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the 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 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 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 judgment 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 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

19 October, 2021