

# **REPORT OF THE AUDITOR-GENERAL ON THE COUNTY EXECUTIVE OF KAJIADO FOR THE YEAR ENDED 30 JUNE 2018**

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Qualified Opinion**

I have audited the accompanying financial statements of the County Executive of Kajiado set out on pages 1 to 67, which comprise the statement of assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows, summary statements of appropriation: recurrent, development and combined and budget execution by programmes and sub-programmes 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, the financial position of the County Executive of Kajiado as at 30 June, 2018 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the County Government Act, 2012 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Failure to Disclose Land and Biological Assets**

The County Executive owns a cattle ranch. However, the value of the ranch and the livestock therein have not been disclosed in the financial statements. The county Executive's assets are therefore understated by an undetermined amount.

#### **2. Differences Between Financial Statements and IFMIS Figures- Domestic Travel and Subsistence**

The financial statements reflect an amount of Kshs.1,141,353,288 in respect of use of goods and services out of which, an amount of Kshs.247,780,039 was in respect of Domestic travel and subsistence. This figure differs with the IFMIS payment of 87,909,738.55 by Kshs.159,870,300.

There was no evidence that the two sets of records were reconciled.

#### **3. Unsupported Pending Accounts Payables**

Annex 2 to the financial statements reflects analysis of pending accounts payable amounting to Kshs.766,806,193. However, and as previously reported, the County Executive has not maintained an up-dated individual creditor's register/ledger with full details of the creditor's regarding work done or services rendered, invoices, local

purchase/service orders, certificates of completion, evidence of delivery and suppliers' statements.

Further, the decrease of Kshs.425,221,544 from previous year's figure of Kshs.1,192,027,739 has not been supported. In addition, had the bills been cleared in the period under review, the County Executive would have recorded an excess vote (deficit) of Kshs.662,449,996 instead of the surplus of Kshs.104,356,197 reflected in the statement of receipts and payments.

In the circumstances, the accuracy and completeness of pending bills as disclosed in the financial statements and their effect on future service delivery of the County Executive could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Executive of Kajiado in accordance with ISSAI 30 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. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

### **Other Matter**

#### **1. Under-Collection of Local Revenue**

Note 9 to the financial statements reflects receipts totaling Kshs.6,772,989,224 which include County own generated receipts of Kshs.680,475,029 (2016/17 - Kshs.557,094,069). This represents a 35% shortfall on the financial year's target of Kshs.1,040,794,334. The total budget amount was used to plan activities for the year hence the county may not have been able to implement those activities thus affecting service delivery to the people.

#### **2. Failure to Prepare Financial Statements for Funds- Other Grants and Transfers**

The statement of receipts and payments reflects expenditure of Kshs.482,966,030 in respect of other grants and transfers. In the period under review, the County executive operated a Youth Fund which received Kshs.15,000,000.

However, there were no financial statements prepared and submitted for audit contrary to the requirement of Section 116 (7) (a) of the Public Finance Management Act 2012 in respect of this Fund. The Act requires the administrator of a county public fund to prepare accounts of the fund for each of the financial years. In the circumstances, the County Executive was in breach of the law. Further, it has not been possible to confirm

the accountability of Kshs.15,000,000 transferred to the fund in the absence of the respective financial statements.

### **3. Unresolved Prior-year Issue - Assets and Liabilities Inherited from the Defunct Local Authorities in Kajiado County**

Disclosed in Annex 4 to the financial statements for the year ended 30 June 2017 is a summary of fixed assets register showing that the County Executive had non-current assets with a total historical cost of Kshs.2,105,134,609 as of 30 June 2017. However, as mentioned in previous years' reports, the financial statements for the year ended 30 June 2017 similarly do not include assets amounting to Kshs.91,605,348 acquired in the four (4) months period ending 30 June 2013 as well as assets and liabilities of undetermined values of the defunct local authorities and other devolved functions. The Transition Authority did not formally transfer the assets and liabilities of the defunct local authorities in Kajiado to the County Government of Kajiado. Therefore, the existence and carrying values of assets and liabilities that were inherited from the defunct local authorities have still not been established under the circumstances.

Consequently, the completeness and accuracy of non-current currents including their historical costs as at 30 June 2017 and prior years as disclosed in annex 4 cannot still be confirmed.

## **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. Unauthorized Expenditure**

An analysis of the approved recurrent budget against the actual expenditure revealed that the following departments exceeded their approved budgetary amounts hence leading to a total unauthorized expenditure of Kshs.2,693,078,704 as shown:

<b>Vote</b>	<b>Ministry/Department</b>	<b>Recurrent Budget Kshs</b>	<b>Actual Recurrent Expenditure Kshs</b>	<b>Over Expenditure Kshs</b>
4661	Office of the Governor and The Deputy Governor	198,573,002	223,537,429	24,964,427

4671	Public Service, Administration and Citizen Participation	419,247,272	2,536,858,773	2,117,611,501
4672	County Treasury	499,085,161	1,012,226,519	513,141,358
4674	Lands and Physical Planning	120,220,541	157,581,959	37,361,418
	<b>Total</b>	<b>1,237,125,976</b>	<b>3,930,204,680</b>	<b>2,693,078,704</b>

Further, the Department of Roads, Transport, Public Works, Housing and Energy incurred total development expenditure of Kshs.587,795,087 against an approved budget of Kshs.534,390,015 leading to an over-expenditure of Kshs.53,405,072 in development budget. The department of Lands and Physical Planning had an approved development budget of Kshs.48,982,764 but incurred a total of Kshs.54,510,158 hence exceeding the approved budget by Kshs.5,527,394 as follows:

Vote	Ministry/Department	Development Budget Kshs	Actual Expenditure Development Kshs	Over Expenditure Kshs	Budget Utilization
4670	Roads, Transport, Public Works, Housing and Energy	534,390,015	587,795,087	53,405,072	110%
4674	Lands and Physical Planning	48,982,764	54,510,158	5,527,394	111%
	<b>Grand Total</b>	<b>583,372,779</b>	<b>642,305,245</b>	<b>58,932,466</b>	<b>110%</b>

## 2. Irregular Compensation of Employees

The statement of receipts and payments reflects an expenditure of Kshs.2,106,572,661 under compensation of employees. During the year under review, the County Executive made payments amounting to Kshs.23,532,302 to casuals as indicated in the IFMIS payment report in the departments of Education, Health Services, Lands and Economic Planning, Youths Sports, Trade and Culture, Public Works and Transport, Agriculture, Treasury, Water and Irrigation. It was not clear how these casuals were recruited since there was no evidence of recruitment documents, muster roll and registers, staff establishment per department, approved terms of service and returns from the supervisors. The County Public Service Board had issued a memo Ref: CGK/KCPSB/STAFF.MATT/VOL.1/42 to regulate the engagement of persons on contract, volunteer and casual workers, staff of joint ventures and attachment of interns in its public bodies and offices. It appears that this memo was ignored since the casuals were sourced, engaged and distributed across the county without the involvement of the County Public Service Board as required by the law.

Consequently, the validity and regularity of the expenditure of Kshs.23,532,302 could not be ascertained.

### 3. Irregularities Noted in the Construction of a Modern Library

As reported in the previous year, the County Executive entered into a contract to construct a modern library in the financial year 2014/2015. The contract was signed on 1 April, 2015, with the project running for a period of 36 months ending on the 31 March, 2018. However, according to payment certificate No. 4 dated 18 June 2018, the project was 92% complete. It was not clear why the contractor delayed implementing the project and whether there was any application for extension of the contract.

In the year 2017/2018, the County Executive allocated Kshs.20,000,000 towards the project. However, the County Executive paid the contractor Kshs.58,404,695 resulting in an unauthorized expenditure of Kshs.38,404,695. The payments were effected as follows:

<b>Department</b>	<b>Amount Budgeted for Kshs.</b>	<b>Amount Paid Kshs.</b>
Office of the Governor & Deputy Governor	20,000,000	29,754,695
Youth, Sports, Gender & Social Services	Nil	28,650,000
<b>Total</b>	20,000,000	58,404,695

Further, certificate Nos 1 to 4 as tabulated show certified works amounting to Kshs.107,933,495 while the corresponding amounts paid to the contractor, totaled Kshs.110,779,920 resulting in payment for uncertified works totaling Kshs.2,846,425.

<b>Payment Details to Contractor</b>	<b>Amount Certified Kshs.</b>	<b>Amount Paid Kshs.</b>	<b>Date Paid</b>
Certificate 1 - Dated 24 June 2015	26,691,093	6,482,754	25/05/2016
		18,892,471	26/05/2016
Certificate 2 - Dated 1 March 2016	22,837,707	7,000,000	10/07/2015
		20,000,000	18/11/2015
Certificate 3 - Dated 23 January 2018	26,162,653.50	28,650,000	10/05/2018
Certificate 4 - Dated 18 June 2018	26,779,225.50	29,754,695	30/06/2018
<b>Total</b>	<b>107,933,495</b>	<b>110,779,920</b>	

In addition, physical verification done in the month of November 2018 and a comparison with the payments made indicates an overpayment of Kshs.11,232,000 for items and works not done as follows;

<b>Item Description</b>	<b>Amount Kshs.</b>
Roads & Parking	2,310,000
Doors, door frames & Ironmongery	1,922,000
Windows & gazing	<u>7,000,000</u>
<b>Total</b>	<b>11,232,000</b>

Also as reported in the previous year, a firm of architects had been overpaid by Kshs.667,141 for their involvement in the construction of the library. However, the firm resigned from the contract on 6 February 2017.

The County Executive has neither clarified the reason(s) for the overpayment nor recovered the overpaid amounts.

In the circumstances, it was not possible to ascertain the following;

- i. The source of the extra funding amounting to Kshs.38,404,695 which had not been budgeted.
- ii. Why payments amounting to Kshs.11,232,000 were made for works that were not done.
- iii. Why payments amounting to Kshs.2,846,425 were made for uncertified works.
- iv. The cause of the delay in the delivery of the project and the steps being taken by the management to avert further delay and possible cost over runs.

It was not possible to confirm whether the project will ever be delivered to completion and whether the public will get value for money.

#### **4. Irregular Construction of Dining Hall at Olkejuado High School**

The County Executive's supplementary estimates and procurement plan for the period under review indicated that, the County Executive was to procure construction works towards construction of a dining hall at Olekejuado High school at a cost of Kshs.15,000,000 using restricted tendering. However, construction of schools is not a function which is devolved under schedule 4 of the Constitution of Kenya.

Available documents indicate that, the contract to construct the dining hall at Olkejuado

High School in Dalalekutuk ward was awarded to a contractor at a contract price of Kshs.36,980,846 through a notification ref CGK/ED/TED/7/2017-18 dated 4 December, 2017. The tender agreement was dated 18 December 2017 but both the tenderer and the representative of the procuring entity did not indicate the date the contract was signed. It is only the witness to the agreement (Chief Officer, Education) who is indicated as having signed on 18 January 2018. It was not clear whether the date of engagement was mutually agreeable as the date the agreement was witnessed.

Further, there were no tender documents and minutes of evaluation to show how the contractor was identified and whether proper procurement procedures were followed.

In addition, there were no site handing over minutes to indicate the actual date of commencement as per the agreement, the original bills of quantities and engineer's estimates.

Further, out of the contract price of Kshs.36,980,846, the management paid Kshs.17,674,572 on 30 April 2018 vide certificate No.1. This surpassed the budgeted amount of Kshs.15,000,000 by Kshs.2,674,572.

Consequently, the expenditure could not be confirmed to be in compliance with the existing laws and regulations. The over expenditure of Kshs.2,674,572 towards the project was not authorized. Further, in the absence of tender minutes, the regularity of the procurement process could not be ascertained.

## **5. Unresolved Prior Year Issues**

### **5.1 Ngong Sports Complex**

The County Executive contracted a firm to construct a Modern Sports Complex in Ngong Town for Kshs.198,464,940 under the department of Education, Youth, Sports Culture and social services. The project was scheduled to be undertaken in four phases for consecutive four financial years from 2014/2015 to 2017/2018 or 48 months from the date of the agreement. The agreement was signed on 6 July 2015 implying expected completion date of 5 July 2019. It therefore follows that at a minimum, 25% of the project should be achieved every financial year for the four years under consideration. Consequently, the project ought to have been at 50% completion by 30 June 2017. However, records presented for audit review revealed that as at 21 June 2016, only Kshs.34,387,474 had been absorbed as per interim certificate No. 1 indicating 17% completion.

In the year under review, no works were carried out implying either the project had been abandoned or works had stalled with physical verification confirming the same. That notwithstanding, a payment of Kshs.3,000,000 was made to the architects for consultancy services in respect of the project on 11 May 2017 despite the fact that no works had been carried out during the year. In addition, no fee notes, invoice, authority or any other documentary evidence has been presented for audit verification in support of this payment.

In the circumstances, it was not possible to confirm that the public got value for the total amount of Kshs.37,387,474 spent so far on the project. Further, there may be cost over runs in the event that the project is not delivered in time and other associated costs including interest and penalties, loss of value by delaying the accruing benefits to the tax payers and possible litigations arising from breach of contract.

## **5.2 Nalepo Primary School Access Road**

The County Executive awarded a contract for grading and gravelling of Nalepo Primary School access road in Olkeri ward on 16 March 2017 to a firm at a contract sum of Kshs.1,995,960. The contract was for a period of 90 days effective from the date of signing the contract agreement. An amount of Kshs.611,784 was paid to the Contractor on 28 June 2017 being the value of certified works as per interim certificate No. 1 of 22 June 2017. However, the contract period expired on 16 June 2017 when the Contractor had only implemented 31% of the contract works. No evidence has been provided for audit to confirm that the Contractor requested for extension of the contract period as required under section 139 (2a) of Public Procurement and Assets Disposal Act, of 2015.

Consequently, it was not possible to confirm that there was efficient use of resources and benefits accruing to the residents in the implementation of this project.

## **5.3 Kajiado County Referral Hospital Maternity Wing**

The County Executive contracted a firm to construct a maternity wing and ward at Kajiado County Referral Hospital at an initial contract sum of Kshs.53,729,145 through contract agreement dated 24 April 2015 following a Tender No. CGK/MOH/CWS/O8/2014-15. The initial contract sum was subsequently varied by Kshs.13,188,838 on 26 April 2017, which is 24.5% of the contract sum, exceeding the 20% ceiling authorized under section 139(4)(c) of Public Procurement and Asset Disposal Act, of 2015. Further, the variation included an amount of Kshs.4,197,736 for building, re-alignment and modifications of the project as a result of the technical department designing, without involvement of the user department as indicated in a letter reference KCG/HEALTH SERVICES/20/VOL3/222 of 13 February 2017. Consequently, it was not possible to confirm that there was efficient use of resources and benefits accruing to the residents of Kajiado in the implementation of this project.

## **5.4 Projects Budgeted and Implemented without Public Participation**

During the year 2016/2017, evaluation of internal controls on budget process and identification of projects, and other records produced for audit review, revealed that a total of twenty-eight sampled flagship projects with a budget of Kshs.239,200,000 were conceived and started without going through the full cycle of budget process including public participation, sectoral working groups forums, and validation. This was done contrary to provisions of regulation 221(5) of the Public Finance Management (County Governments) Regulations, 2015 which provides that, the County Treasuries shall arrange for effective public participation during the development of their annual budget



estimates including the publication of citizens' budgets which shall explain and summarize the budget proposals. In the circumstances, it is not possible to ascertain that there was proper involvement of the public in identification of the projects to ensure transparency and accountability.

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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

### Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing 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. Lack of IT Controls

A review of the County Executive's IT controls revealed that the IT department lacks the basic controls that enable the department to function effectively. This is largely caused by insufficient allocation of resources both financial and human to the department thus rendering it unable to meet the mandate for which it was established. The County Executive was found in lack of the following:

- i. IT strategy committee.
  - ii. IT steering committee.
  - iii. Training program in place to build IT capacity.
  - iv. Approved IT security policy.
  - v. Policies in place which cover physical access to IT environment.
  - vi. Approved disaster recovery plan.
  - vii. Approved backup and retention strategy.
  - viii. Formal approved user account management policy.
  - ix. Insufficient fire extinguishers and fire suppression systems in the computer rooms.
  - x. Formal, documented and tested emergency procedure in place.
- Not all the computers have an anti-virus installed.

The County Executive has not adhered to regulation 110(1) of the Public Finance Management Act (County Government) Regulations, 2015 which requires an Accounting Officer for a county government to institute appropriate access controls needed to minimize breaches of information confidentiality, data integrity and loss of business continuity.

## **2. Lack of a Risk Management Policy**

Kajiado County Executive lacks a Risk Management Policy contrary to the requirements of Regulation 158(1) of the Public Finance Management (County Governments Regulations), 2015 which stipulates that the County Government entity develops risk management strategies, which include fraud prevention mechanism; and that the County Government entity develops a system of risk management and internal control that builds robust business operations. Failure to develop a risk management policy means that the County executive does not have a framework for management of risk and hence it is not possible to identify, assess and control risk. As a result, it is not possible to define the entity's risk appetite and set the risk tolerance levels by identifying boundaries against unacceptable exposure to risk.

## **3. Weaknesses in Management of Human Resources**

During the year under review, the county Executive employed one hundred ninety five (195) staff in various departments. This included recruitment of a Director - Supply Chain, Deputy Director of Budget and an Accountant General. However, the respective personnel files availed for audit did not contain necessary documents to show whether the employees' had the requisite skills, qualifications and competence as advertised.

Further, a review of the human resource processes and documentation showed that the County Executive did not have an approved human resource establishment and job evaluation report to guide in the management and utilization of the human resource and to establish the required and optimal number of staff and skills required in each and every department.

In addition, a review of the payrolls revealed that the County Executive staff numbered 2,604 as at 30 June 2018 out of which, 2,594 were in the Integrated Personnel Payroll Database (IPPD) and 110 in a different payroll for employees on contract terms and which was maintained in an excel software contrary to Regulation 120(1) of the Public Finance Management (County Governments) Regulations, 2015.

In the absence of an approved a staff establishment, the County Executive is not in a position to know how many workers are required, how many are in post and how many need to be recruited which may lead to abuse of the recruitment process in the absence of open and objective recruitment process.

In addition, in the absence of necessary documentation in the personnel files, it is not possible to ascertain whether the county engaged the right personnel with the

necessary skills and competence as per the requirements of the advertisements in the period under review.

Further, the accuracy of the payroll and its output may not be determined as an excel software may be exposed to manipulation and changes without authorization and approvals.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the County Executive's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the County management intends to cease operations of the County Executive, or have no realistic alternative but to do so.

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

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

Those charged with governance are responsible for overseeing the County Executive's financial reporting process, reviewing the effectiveness of how the 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 about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 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 sustaining 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.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**18 February 2019**