

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF MERU FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Executive of Meru set out on pages 1 to 41, which comprise of the statement of assets and liabilities as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the 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 Meru as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis), the Public Finance Management Act, 2012 and comply with the County Governments Act, 2012.

Basis for Qualified Opinion

1. Lack of Valuation and Title Deeds for Land

Annex 3 to the financial statements reflects a balance of Kshs.9,165,729,104 in respect to summary of non-current asset register which includes Kshs.42,337,783 in respect to land. However, the County Executive did not provide a list of all parcels of land owned by the County, specific location of land, approximate size, value of land and respective title deeds.

In addition, although the County Executive explained that it has already made efforts to acquire ownership documents, the verification and validation exercise for the assets owned by the devolved unit has not been undertaken and therefore the existence, valuation and location of specific land parcels could not be established. Further, no title deeds in the name of the County Government were provided for audit.

In the circumstances, the accuracy, existence, value and ownership of the fixed assets balance of Kshs.9,165,729,104 could not be confirmed.

2. Unsupported Penalty and Interest for Unpaid PAYE

The statement of receipts and payment reflects compensation of employees' amount of Kshs.4,496,439,039 which includes Kshs.57,597,233 on other personnel payments as disclosed in Note 3 to the financial statements. However, the amount rose from Nil in 2020/2021 financial year to Kshs.57,597,233 in the current financial year without justification.

Further, the amount of Kshs.57,597,233 includes an amount deducted by Kenya Revenue Authority (KRA) from County Revenue Fund as penalties and un-remitted Pay As You Earn (PAYE). However, the balance was not broken down to distinguish between what was deducted by KRA as penalty and the unremitted PAYE. In addition, the County did not explain why it failed to remit PAYE deductions within the statutory deadlines.

In the circumstances, the accuracy, propriety, and completeness of the expenditure amount of Kshs.57,597,233 could not be confirmed.

3. Unsupported Expenditure on Legal Fees

The statement of receipts and payments and as disclosed in Note 4 to the financial statements reflects an amount of Kshs.1,275,786,103 in respect to use of goods and services which includes an amount of Kshs.233,706,236 incurred on other operating

expenses, out of which Kshs 38,822,518 is in respect to legal fees for various court cases filed against the County Executive. However, this was an unexplained and unsupported increase of Kshs.9,438,070 from the previous year.

In the circumstances, the accuracy and completeness of the expenditure amount of Kshs.9,438,070 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 Meru 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 in the year under review.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.11,464,494,220 and Kshs.10,036,211,627 respectively resulting to an under-funding of Kshs.1,428,282,593 or 12% of the budget. Similarly, the County Executive spent Kshs.10,296,334,453 against an approved budget of Kshs.11,464,494,220 resulting to an under-expenditure of Kshs.1,168,159,767 or 10% of the budget.

The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Audit Matters

Review of the progress on follow up on prior year auditor's recommendations reveal that, 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 which remained unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require Accounting Officers designated for county government entities to try to resolve any issues resulting from an audit that remain outstanding.

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. Non-Compliance to the Fiscal Responsibility Principles

The statements of receipts and payments reflects an amount of Kshs.4,496,439,039 in respect to compensation of employees as disclosed in Note 3 to the financial statements which translates to 45% of the total receipts of Kshs.10,036,211,627. This is contrary to Section 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which limits expenditure on wages and benefits to not more than 35% of the total revenue for the year.

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

2. Earnings Below the Statutory Minimum

The statement of receipts and payments reflects compensation of employees of Kshs.4,496,439,039 which includes an amount of Kshs.2,050,745,671 on basic salaries of permanent employees as disclosed in Note 3 to the financial statements . Review of the monthly payroll records revealed that one hundred seventy-three (173) employees' salary deductions fell below the a-third (1/3) of the basic salary contrary to Section 19 (3) of the Employment Act, 2007 which require that deductions made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages. No explanation from Management was provided for the employee earnings below the statutory minimum.

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

3. Non-Compliance with Ethnicity and Regional Distribution

Review of the Integrated Personnel and Payroll Database (IPPD) Payroll revealed that 90% of the County Executive employees were from the same dominant ethnic community contrary to Section 7(2) of the National Cohesion and Integration Act, 2008.

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

4. Use of Manual Payroll

The statement of receipts and payments reflects an amount of Kshs.4,496,439,039 in respect of compensation of employees as disclosed in Note 3 to the financial statements. Included in this balance is an amount of Kshs.203,187,379 paid through the manual payroll system . This is contrary to Section 6.7.6 of the County Financial Accounting and Reporting Manual which requires all payments for personal services should be paid through the payroll system.

In the circumstances, Management was in breach of regulations.

5. Lack of an Approved Staff Establishment

The County Executive did not have an approved staff establishment contrary to Section B 5(2) of the County Public Service Human Resource Manual, 2013 which states that all vacancies shall be declared in a prescribed format which shall include the number of vacancies; when the vacancy occurred; whether the vacancy is within the authorized establishment and other relevant details. Further, Section B 6(3) states that in the recruitment process, due consideration will be given to appropriate organizational structure in each department, optimal staffing levels, schemes of service and career progression guidelines.

In the circumstances, it was not possible to establish if the County Executive operated at optimum staffing levels. In addition, the County Executive is in breach of the County Public Service Human Resource Manual, 2013.

6. Failure to Pay Gratuity to Contracted Employees

The statement of receipts and payments reflects compensation of employees amount of Kshs.4,496,439,039 which includes Kshs.203,187,379 for basic salaries of temporary employees as disclosed in Note 3 to the financial statements . However, it was noted that the County engaged contract employees but failed to include the clause on gratuity on the terms of service as required by the Employment Act, 2007 to pay 31% of the basic pay to contracted employees at the end of the contract. It was not explained why the County failed to pay gratuity to the contracted employees.

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

7. Acquisition of Assets

7.1 Refurbishment of Cancer Centre at Meru Level 5 Hospital

The Meru County Government Department of Health issued a tender for refurbishment of Cancer Centre at a contract sum of Kshs.10,501,446. Further, it was observed that certificate No.1 of Kshs.5,090,983 was paid on 21 February, 2022. However, the following anomalies were observed;

- a) Very minimal work of painting of the walls and tiling of the floor had been done.
- b) The contractor was not on site.
- c) The contract was not secured by a performance bond as the tender security from an insurance company expired on 27 October, 2021.
- d) The ablution block was incomplete as the contractor had only constructed the slab.
- e) The parking and waiting areas were incomplete.
- f) Refurbishment of toilets done were 2 out of 4 and hand washing basins done were 2 out of 8.
- g) Few materials were on site.
- h) The landscape which was part of the contract was not designed.
- i) The Accounting Officer did not carry out monitoring and evaluation and as such no report was provided.

In the circumstances, the value for money on the expenditure amount of Kshs.5,090,983 could not be confirmed.

7.2 Construction of Ward Block at Miathene Sub- County Hospital

Review of Health Department records revealed that the County Executive awarded a Contract for construction of Ward Block at Miathene Sub County Hospital at a Contract sum of Kshs.19,621,139 on 2 July, 2020. However, payment of Kshs.3,657,087 was paid during the year in respect of the contract. Physical inspection of the project carried out in July, 2022 revealed the following;

- a) The contractor was not on site and had abandoned the project
- b) The project had stalled and contract period had expired
- c) Work was abandoned at an estimated 30% of completion level
- d) The contractor had not applied for an extension and the County Executive had not initiated termination process.

In the circumstances, the value for money on the project expenditure amount of Kshs.3,657,087 could not be confirmed. In addition, the completion and eventual usage of the project is in doubt.

7.3 Construction of Kangeta Theatre

Review of Health Department projects records revealed that the Meru County Government awarded a contract at a sum of Kshs.11,988,413 on 2 July, 2020 for construction of Kangeta Theatre where Ksh.1,278,887 was paid during the year. However, program of works, evidence of site visits, project monitoring and evaluation reports, scope of works, special specification if any and priced bills of quantities by the Accounting Officer were not provided for audit. Further, physical inspection of the project carried out in July, 2022 revealed the following;

- a) The contractor was not on site and had abandoned the project
- b) The project had stalled and the contract period had expired
- c) Work was abandoned at an estimated 40% completion level

- d) The contractor had not applied for extension while the County Executive had not initiated termination process.

In the circumstances, value for money for the project expenditure of Kshs.1,278,887 could not be confirmed. In addition, the completion and eventual usage of the project is in doubt.

7.4 Erection and Completion of Ward Block at Meru Teaching and Referral Hospital (MTRH)

The County Executive awarded a contract for erection and completion of Ward Block at Meru Teaching and Referral Hospital at a contract sum of Kshs.387,469,465. However, the tender opening register, tender opening minutes, notification of award and information to unsuccessful bidders, program of works, evidence of site visits, project monitoring and evaluation, complete contract document, scope of works, special specification if any, priced bills of quantities, general conditions of contract and evidence of appointment of inspection and acceptance committee by the Accounting Officer were not provided for audit contrary to Section 78(6) and (10) of the Public Procurement and Asset Disposal Act, 2015 .

Further, payment certificates paid during the year included certificates 18 and 20 of Kshs.23,946,067 and Kshs.18,069,067 respectively. However, physical inspection of the project carried out in July, 2022 revealed the following anomalies:

- a) The Ward Block is not yet operational despite being commissioned on 19 July, 2022.
- b) The electricity installation, lifts installation, networking, water tanks and medical gas plan room/gas point which form basic operational components were not yet started.
- c) Although the Ward Block structure is complete, finishing works like ceiling cannot proceed before installation of network cables, CCTV links, gas piping and electrical wiring.
- d) Sub-contractors' payment has been delayed leading to stalling of major works. These include electrical and mechanical works, plumbing, water tanks, cabling and medical gas installation.
- e) Project status and completion level was not documented.

In the circumstances, the completion, value for money and eventual usage of the project could not be confirmed.

7.5 Renovation Works at Nyambene Level 4 Hospital

The County Executive's Health Department awarded a contract on 12 June,2020 at a contract sum of Kshs.13,903,916 for renovation works at Nyambene Level 4 Hospital. However, physical inspection of the project carried out in July, 2022 revealed the following anomalies;

- a) The contractor was not on site and had abandoned the project
- b) The project had stalled and contract period had expired
- c) Work was abandoned at an estimated 40% completion level
- d) The contractor had neither applied for extension nor the County Executive initiated termination process

In the circumstances, the value for money for the expenditure amount of Kshs.13,903,916 could not be confirmed. In addition, the completion and eventual usage of the project is in doubt.

8. Abandoned Health Facility Projects

The County Executive spent an amount of Kshs.130,223,075 on various health facilities during the year under review. However, physical inspection carried out in July, 2022 on sampled projects totalling to Kshs.72,511,952 revealed that most of them were not in progress and had been abandoned by the contractors.

In addition, there was no indication of either the contractors seeking project extension or the Accounting Officer initiating any termination process.

In the circumstances, value for money for the expenditure amount of Kshs.72,511,952 incurred on these projects could not be confirmed.

9. Expired Contract on Consultancy Services for Preparation of Nchiiru-Kianjai and Urru Development Plans

During the year under review, the County Executive paid the fourth and final payment of Kshs.1,985,000 for consultancy services for digital topographical mapping and preparation of urban development plans for Nchiiru-Kianjai-Urru and its environs. Review of documents provided for audit revealed the following anomalies.

- i. The consultancy contract was awarded on 14 February, 2017 at a contract sum of Kshs.22,385,000 for a contract period of 12 months meaning the contract period ended in February, 2018. Therefore, the payment of the 4th and final amount of Kshs.1,985,000 was made on an expired contract. There was no evidence of contract period extensions.
- ii. There was no inspection and acceptance certification by the Contract Implementation Team to confirm that the services were actually rendered and in compliance with the terms of the contract.
- iii. The payment of Kshs.1,985,000 was pending bill but had no evidence of audit report attached authenticating and approving the payment.
- iv. Deliverables of the contract including, results of public participation, stakeholders conference meeting minutes, final report/plans, digital maps and evidence of presentation conference to the client were not provided for audit.

In the circumstances, the value for money for the expenditure amount of Kshs.1,985,000 could not be confirmed.

10. Expired Contract on Consultancy Services for Preparation of Karachi, Ngundune, Muriri, Muthara and Karama Township Urban Development Plans

During the year under review, the County Executive paid the fourth and final payment of Kshs.1,857,000 for consultancy services for digital topographical mapping and preparation of urban development plans for Karachi, Ngundune, Muriri, Muthara, Karama township and their environs. Review of documents provided for audit revealed the following anomalies;

- i. The consultancy contract was awarded on 14 February, 2017 at a contract sum of Kshs.23,595,000 for a contract period of 12 months meaning that the contract period ended in February, 2018. Therefore, payment of the fourth and final amount of Kshs.1,857,000 was made on an expired contract. There was no evidence of contract period extensions provided for audit.
- ii. There was no inspection and acceptance certification by the Contract Implementation Team to confirm that the services were actually rendered and in compliance with the terms of the contract.
- iii. The payment of Kshs.1,857,000 was a pending bill but had no evidence of audit report attached authenticating and approving the payment.
- iv. Deliverables of the contract including, results of public participation, stakeholders conference meeting minutes, final report/plans, digital maps and evidence of presentation conference to the client were not provided for audit.

In the circumstances, the value for money for the expenditure amount of Kshs.1,857,000 could 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 audit procedures performed, except for the matters described in the Basis for conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Inadequate Controls on Routine Maintenance of Vehicles

The statement of receipts and payments reflects use of goods and services balance of Kshs.1,275,786,102 as disclosed in Note 4 to the financial statements which further includes an amount of Kshs.37,516,074 in respect to routine maintenance of vehicles. Included in this amount is an expenditure of Kshs.11,606,069 on repairs of motor vehicles. The following internal control weakness were noted;

- a) No efficiency analysis reports were provided for County vehicles. In the absence of these reports, it is not possible to identify unserviceable vehicles which are costly to repair and maintain.
- b) The Logbooks for services, repairs and maintenance undertaken were not provided for audit.
- c) No record of work done was posted in vehicle logbooks.
- d) Invoices were not examined, authorized and approved for payment.
- e) There is no matching of invoices, Local Purchase Orders (LPOs) and requisitions.
- f) Repairs done were not entered in the vehicle work tickets.

In the circumstances, the propriety of the expenditure amount of Kshs.11,606,069 could not be confirmed.

2. Supplies of Assorted Pharmaceuticals at Various Hospitals by KEMSA

Physical verification of drugs supplied by KEMSA to various hospitals in Meru County revealed the following anomalies;

2.1 Meru Teaching and Referral Hospital

- a) No regular stock taking at the main pharmacy.
- b) No evidence of verification of stores bin cards by senior officers.
- c) Inspection and acceptance committee received drugs with short expiry period resulting to expiry of drugs.
- d) Ledger provided from the pharmacy indicated that the hospital has been disposing expired drugs.

2.2 Mikinduri Sub-County Hospital

The hospital does not have a theatre but was supplied with Midazolam Injection of Kshs.2,310 which is a drug used in theatre and which has since expired. Further, the following was noted;

- a) Upon enquiry from the hospital, it was revealed that the hospital ordered drugs worth Kshs.500,000 from MEDS which have not been delivered.

- b) The hospital has not been able to dispose expired drugs since 2017 due to lack of disposing equipment.
- c) Poor controls at the dispensing pharmacy as no record is kept on the number of drugs issued to the patient and the balance.
- d) The drugs are poorly stored as the store is too small and lacks storage facilities.

2.3 Nyambene District Hospital

The County Executive paid an amount of Kshs.5,186,280 to KEMSA vide payment voucher number 67 and LPO number 1152. However, physical inspection at the hospital revealed the following drugs were missing;

- a) 4 Thiosulphate Citrate bile salt sucrose at Kshs.5,700 all totalling Kshs.22,800
- b) 10 Dexamethasone Tablets at Kshs.1,030 each all totalling Kshs.10,300

The drugs could not be accounted for and the records at the hospital are poorly maintained.

In the circumstances, the propriety of the expenditure amount of Kshs.5,186,280 could not be confirmed.

3.0 Lack of Policy on Airtime

During the year under review, it was noted that the County Executive does not have policy guidelines on the expenditure of airtime which would stipulate airtime entitlement for each job group and its limit. Further, employees spent money on airtime then presented receipts for refund. This is contrary to the Salaries and Remuneration Commission circular number SRC/ADM/CIR/1/13 VOL (138) of 10 August, 2015 which gave guidelines on airtime entitlement

In the circumstances, the propriety of the expenditure on airtime could not 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 controls, 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 controls 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 controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the County Executive of Meru'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 the intention to dissolve the County Executive or to

cease operations.

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

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

Those charged with governance are responsible for overseeing the County Executive of Meru financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 Meru County Executive 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 controls.
- 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 of Meru ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County Executive of Meru to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the County Executive of Meru 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 controls 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

14 February, 2023