

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF BOMET 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 controls, 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 Bomet set out on pages 1 to 57, 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 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 Bomet 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) and comply with the Public Finance Management Act, 2012 and County Governments Act, 2012.

Basis for Qualified Opinion

1. Understated Exchequer Releases (Transfer from CRF)

The statement of receipts and payments reflects exchequer releases (transfers from CRF) amounting to Kshs.6,155,811,191. However, the amount does not include income received from lease of medical equipment amounting to Kshs.153,297,872 as disclosed under other important disclosures at Note 8 to the financial statements which was recovered at source by The National Treasury. Further, the lease agreement and list of the leased equipment were not provided for audit verification.

In the circumstances, the accuracy and completeness of exchequer releases (transfers from CRF) amounting to Kshs.6,155,811,191 could not be confirmed.

2. Misclassification of Foreign Travel and Subsistence

Note 5 to the financial statements reflects foreign travel and subsistence expenditure amounting Kshs.25,268,634. The expenditure includes payments made to local hotels amounting to Kshs.8,114,300. However, the expenditure is not foreign travel and subsistence in nature.

In the circumstances, the accuracy and completeness of foreign travel and subsistence expenditure of Kshs.8,114,300 could not be confirmed.

3. Unsupported Legal Dues/Fees, Arbitration and Compensation

Included in the other operating expenses amounting to Kshs.283,015,068 reflected in Note 5 to the financial statements is legal dues/fees, arbitration and compensation expenditure amounting to Kshs.5,980,400. However, examination of the legal documents and current status of legal matters revealed cases still pending in courts. However, the pending cases have not been disclosed in the financial statements as contingent liabilities contrary to paragraph 100 IPSAS 19 which states that unless the possibility of any outflow in settlement is remote, an entity shall disclose, for each class of contingent liability at the reporting date, a brief description of the nature of the contingent liability and, where practicable an estimate of its financial effect.

In the circumstances, the accuracy, completeness and disclosure of legal fees amounting to Kshs.5,980,400 could not be confirmed.

4. Transactions after the Reporting Period

The statement of receipts and payments reflects total payments of Kshs.7,814,437,956. The amount includes payments made after 30 June, 2022 amounting to Kshs.273,015,458. This is contrary to the International Public Sector Accounting Standards (Cash Basis) reporting framework and Regulation 97(1) of the Public Finance Management (County Governments) Regulation, 2015 which states that the accounts of

Report of the Auditor-General on County Executive of Bomet for the year ended 30 June, 2022

County Government entities shall record transactions which take place during the financial year running from 1 July to 30 June.

In the circumstances, the accuracy and completeness of payments amounting to Kshs.273,015,458 could not be confirmed.

5. Unsupported Pending Accounts Payables

Disclosure 1 under other importance disclosures to the financial statements reflects pending accounts payable balance of Kshs.874,731,953. However, the pending bills were not supported with invoices, delivery notes, aging analysis and signed contracts. Further, the balance included pending accounts payable amounting to Kshs.842,392,069 relating to 2020/2021 and earlier years which have not been paid. This is contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the county government does not default on debt obligations.

In the circumstances, the accuracy and existence of pending accounts payable balance of Kshs.874,731,953 could not be confirmed.

6. Inaccuracies of the Financial Statements

6.1 Transfer to County Assembly

Note 7 to the financial statements reflects transfers to County Assembly of Bomet totalling Kshs.731,128,005. However, the amount is in variance with the amount of Kshs.721,128,005 reflected both at Disclosure 5 under other importance disclosures and Annexure 7 to the financial statements resulting to an unreconciled and unexplained variance of Kshs.10,000,000.

Under the circumstances, the accuracy and completeness of transfers to County Assembly of Bomet totalling Kshs.731,128,005 could not be confirmed.

6.2 Scholarships and Other Educational Benefits

Note 8 to the financial statements reflects scholarships and other educational benefits totalling Kshs.134,026,107. The amount included Kshs.91,916,005 transferred to Bomet County Bursary Fund. However, the transfer has not been reported under transfers to other government entities and disclosed as related party transaction in Disclosure 5 under other importance disclosure to the financial statements. Further, the transfer is in variance with the bursary fund transfers totalling Kshs.39,250,698 as reflected in Annexure 7 to the financial statements resulting to an unreconciled and unexplained variance of Kshs.52,665,307.

In the circumstances, the accuracy and completeness of transfers to Bomet County Bursary Fund totalling Kshs.91,916,005 could not be confirmed.

6.3 Variances Between Financial Statements Amounts and Integrated Financial Management Information System (IFMIS) Records

A comparison of the financial statements figures and IFMIS records revealed the following anomalies:

i) Variances with IFMIS Payments

The statement receipts and payments reflects total payments of Kshs.7,814,437,956 which vary with IFMIS total payments of Kshs.7,535,000,459 resulting to an un-explained and unreconciled variance of Kshs.279,437,497.

ii) Duplicated Payments

The statement of receipts and payments reflects total payments of Kshs.7,814,437,956. Review of IFMIS records revealed duplicated payments amounting to Kshs.2,272,162,523. However, no explanation has been provided for the duplicated payments.

iii) Voided Payments

Three thousand and six (3,006) transactions in IFMIS amounting to Kshs.2,108,031,630 were voided. However, supporting documents such as the voided payment vouchers, request to void payments, National Treasury approval and Exchequer requisitions from the Controller of Budget were not provided. Further, the voided payments have not been disclosed as pending accounts payable. The utilization of funds meant for voided transaction was also not confirmed.

iv) Payments Higher than Local Purchase Orders and Local Service Orders

Payments in IFMIS amounting to Kshs.19,925,559 were billed higher than the corresponding local purchase orders'/local service orders' amount totalling to Kshs.17,567,435. No explanation was provided for the over invoicing amounting Kshs.2,358,124.

v) Payments in Internet Banking not in IFMIS

Three hundred and forty-five (345) payments amounting to Kshs.593,326,428 were reflected in the internet banking (IB) but were not in IFMIS payment details.

vi) Cash Payments

IFMIS records reflects cash payment for two hundred and ninety-seven (297) transactions amounting Kshs.463,592,951 which have not been explained.

vii) Payments without Invoices

IFMIS records indicate that payments of amounting to Kshs.96,139,223 were made without invoices. The basis for the payments could not, therefore, be confirmed.

Report of the Auditor-General on County Executive of Bomet for the year ended 30 June, 2022

Viii) Unsupported Adjustments of Financial Statements

The financial statements presented for audit were adjusted. However, the revised financial statements were not supported with approved journal entries. Further, adjusted trial balance was not provided for audit verification.

In the circumstances, the accuracy and completeness of the financial statements 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 Bomet Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There are no other 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 a final receipts budget of Kshs.8,803,243,742 against actual receipts of Kshs.7,197,378,557 resulting to budget under funding of Kshs.1,605,865,185 or 18% of the budget. Similarly, the statement reflects a final expenditure budget of Kshs.8,803,243,742 against the actual expenditure of Kshs.7,814,437,956 resulting to under absorption of Kshs.988,805,785 or 11% of the budget.

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

2. Progress on Follow up of Auditor Recommendations

The County Executive has not submitted a report on how it has addressed the Senate and County Executive recommendations and findings of audit reports for the years 2013/2014 to 2019/2020. This is contrary to Section 31(1) (a) of the Public Audit Act, 2015 which states that within three months after Parliament has debated and considered the final report of the Auditor General and made recommendations, a state organ or a public entity that had been audited shall, as a preliminary step, submit a report on how it has

addressed the recommendations and findings of the previous year's audit. Further, Management has not disclosed how prior year audit matters were resolved.

In the circumstances, the recommendations of oversight bodies have not been implemented.

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. Delayed Remittance of Statutory Salary Deductions

Review of statutory salary deductions records revealed that the County Executive made salary deductions for Pay as You Earn (PAYE), National Social Security Fund (NSSF), National Hospital Insurance Fund (NHIF) and Provident Fund. However, the deductions were not remitted within the prescribed timelines as detailed below:

1.1 National Social Security Fund

The statement of receipts and payments reflects compensation of employee totalling to Kshs.3,074,957,402 as detailed under Note 4 to the financial statements. The amount includes Kshs.3,686,840 out of which Kshs.346,068,174 was paid to National Social Security Fund. However, review of documents provided for audit revealed that National Social Security Fund deductions amounting to Kshs.17,312,400 were made from the employees out of which Kshs.3,686,840 was remitted leaving a balance Kshs.13,625,560.

1.2 National Hospital Insurance Fund

The statement of receipts and payments reflects compensation of employee amounting to Kshs.3,074,957,402 as detailed under Note 4 to the financial statements. The amount includes Kshs.8,379,200 paid to National Hospital Insurance Fund out of total deduction of Kshs.19,469,250 made from the employees resulting to unremitted balance of Kshs.11,090,050.

In addition, account statements for NSSF, NHIF and Provident Fund were not provided for audit verifications.

1.3 Outstanding Pay As You Earn

The Kenya Revenue Authority (KRA) I-Tax general ledger of the County Executive reflected outstanding PAYE amount of Kshs.1,851,905,012 for the years 2016 to 2022 which has attracted penalties amounting Kshs.662,957,689. No effort has been made to clear or negotiate how the total outstanding PAYE inclusive of penalties of Kshs.2,514,862,702 will be repaid without incurring further penalties.

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

2. Irregular Maintenance of Human Resource Information System

The County Executive maintains both Integrated Personnel Payroll Data (IPPD) and Human Resource Information System Payroll. The Human Resource Information System Payroll is maintained for 2080 employees. This is contrary to Treasury Circular No.13/2019 dated 28 August, 2019 which states that the allocation of personnel emoluments must be supported by Integrated Personnel Payroll Data (IPPD) and each Ministry, Department and Agency (MDA) will be required to provide this information to support personnel requirements. No explanation was provided for maintaining the two payroll systems.

Further, gross salary amounting Kshs.897,809,831 was processed through Human resource information system in the year under review. However, the system did not reflect the essential employee information details such as the designation, identity card (ID) number, KRA PIN, date of birth, date of employment, gender, ethnic code, job group and job scale.

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

3. Lack of County Human Resource Plans and Performance Management System

The County Performance Management Committee (MPMC) has not developed and implemented an internal performance monitoring, evaluation and reporting system. Further, the performance of all employees was not evaluated and feedback on performance reported at the end of the year. This is contrary to Policy A.17 of the Human Resource Policies and Procedures Manual, 2017 of the County Government of Bomet which requires the County Performance Management Committee (MPMC) to ensure that the performance of all officers is evaluated and feedback on performance is relayed in writing at the end of the year, and develop and implement the internal monitoring, evaluation and reporting system.

In the circumstances, the employee performance and achievement of intended results for the organization may not be enhanced and Management was in breach of the regulations and procedures.

4. Irregular Recruitment of Employees

Review of the Human resource information system payroll revealed that gross salary amounting Kshs.18,098,349 was paid to one hundred and nine (109) employees who

Report of the Auditor-General on County Executive of Bomet for the year ended 30 June, 2022

were recruited during the year. However, review of personnel records revealed the following anomalies:

- i) The vacancies were not declared by the authorized officer to the County public service Board. This is contrary to Policy B.3 (1) of the County government of Bomet Human Resource Policies and Procedures Manual, 2017. Departmental annual recruitment plans for the year were also not provided for audit verification.
- ii) The newly recruited employees were issued with appointment letters and reported to work before signing the employment contracts letters. This is contrary to Policy B.7 (1) of the County government of Bomet Human Resource Policies and Procedures Manual, 2017 which requires persons appointed to any office to be issued with appropriate letter of offer on appointment, which must be signed before commencement of duties.
- iii) Newly recruited fifty-seven (57) employees had served on probation for more than 6 months. However, they had not been confirmed into the permanent and pensionable establishment. This is contrary to Policy B.20 of the County Government of Bomet Human Resource Policies and Procedures Manual, 2017.
- iv) Appointment letters for the position of political advisor and gender advisor were signed by the Governor contrary to Section 63(1) of the County Government Act, 2012 which gives the County Public Service Board absolute power to make appointments and promotions in respect of the offices in the county public service.

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

5. Irregular Staff Promotions

The statement of receipts and payments reflects compensation of employee's expenditure of Kshs.3,074,957,402 which include Kshs.276,588,120 paid to 192 employees who had been promoted. However, the promotions were not based on performance appraisals, staff establishment, needs assessment, vacancy advertisement and conduction of interviews. Further, employee records of the promoted employees were not provided. The effective date of promotion, previous Job Groups of the promoted employees and their qualifications were therefore not confirmed.

In addition, promotion letters were signed by the County Secretary instead of the Secretary to the County Public Service Board.

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

6. Over Expenditure on Compensation of Employees

The statements of receipts and payments reflects compensation of employees' expenditure amounting to Kshs.3,074,957,402. However, the expenditure is approximately 43 % of the County Executive revenue amounting

Kshs.7,197,378,557. This is contrary to Regulation 25 (1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which recommends a limit of 35%.

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

7. Irregular Salary Deductions

The statement of receipts and payments reflects compensation of employees amounting to Kshs.3,074,957,402. Review of the payroll revealed that 142 employees earned net salaries less than a third of their basic pay. This contrary to Section19(3) of Employment Act, 2007 which stipulates that the total amount of all deductions which may be made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages or such additional or other amount as may be prescribed.

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

8. Non-Adherence to Affirmative Action on Gender, Ethnicity and Regional Distribution

Review of the County Executive staff establishment revealed that out the 4,358 employees, 4,260 (or 98%) belong to the dominant ethnic community. This is contrary to Section 65(1)(e) of the County Governments Act, 2012 which stipulates that in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.

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

9. Non-Compliance on Effectiveness of Citizen Participation

Note 5 to the financial statements reflects other operating expenses totalling to Kshs.283,015,068. The amount include expenditure amounting Kshs.144,683,875 incurred by the County Executive on public participation. However, records of the number of public participation meetings held for budget preparation were not provided for audit verification. Further, the County Executive does not have a Public Participation Policy. This is contrary to Section 11 of the Bomet County Public Participation Act, 2019 which states that the Department of Public Participation shall include development of a County Executive policy on public participation and constantly review it to ensure that it meets the needs of the County, maintain database of stakeholder from which County departments and organs can tap when conducting public participation and prepare an annual report on public participation in accordance with the County Governments Act.

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

10. Unauthorized Expenditure

Included in the total payments of Kshs.7,814,437,956 reflected in the statement of receipts and payments is expenditure amounting Kshs.5,987,237,926 on various expenditure items which exceeded the approved budget of Kshs.2,077,105,496 resulting to unauthorized expenditure of Kshs.3,910,132,430. However, approval of the County Assembly was not sought. This is contrary to Regulation 112 of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to seek County Assembly approval for the excess vote.

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

11. Transfers to the County Assembly

The statement of receipts and payments reflects transfers to other government entities amounting to Kshs.1,030,121,131. The amount includes transfers to County Assembly of Bomet amounting to Kshs.731,128,005 (or approximately 10%) of the total County revenue amounting to Kshs.7,197,378,557. However, the amount exceeds seven percent (7%) limit provided for in Regulation 25(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the approved expenditures of a County Assembly shall not exceed seven per cent of the total revenues of the County Government or twice the personnel emoluments of that County Assembly, whichever is lower

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

12. Uncollected Property Rent and Rates

Review of documents provided for audit revealed that the County Executive collected property rent amounting Kshs.4,777,093 during the year under review. However, property rates arrears amounting Kshs.344,782,935 had not been collected. No explanation has been provided for failure to collect the arrears. Further, the collection of property rates arrears amounting Kshs.344,782,935 was not budgeted for in the year under review.

Failure to collect revenue as envisaged will affect implementation of services to the public.

13.1 Delayed Implementation of Projects

Audit inspection conducted in October, 2022 revealed that twenty (27) projects implemented at a cost of Kshs.44,408,803 had not been completed as expected. Further, the contractors were not on site. Management did not provide explanation for the delays and measures being taken to ensure completion of the projects. In addition, a report on the status of development projects was not provided for audit verification.

13.2 Delayed Construction of Bomet Stadium

The construction of Bomet Stadium at a contract sum of Kshs.257,498,105 had not been completed by the completion date of 29 June, 2021. Review of the project's documents and physical verification on 27 October, 2022, revealed that the construction stalled with only 1.5% of works completed. The total payments to the contractor amounted to Kshs.14,013,380 (or 5.4%) of the agreed contract sum, which exceeds the 1.5% value of

Report of the Auditor-General on County Executive of Bomet for the year ended 30 June, 2022

works completed. Further, records provided for audit indicate that the stadium land belongs to Bomet University College. Management did not provide explanations for these anomalies.

In the circumstances, the value for money may not be realized from the public funds committed to the projects.

13.3 Delayed Implementation of the County Integrated Hospital Management Information System

Review of documents revealed that the County Executive through the Department of Finance and Economic Planning incurred an expenditure of Kshs.1,728,400 for supply, delivery, testing and commissioning of County Integrated Hospital Information System. The contract agreement was signed on 23 June, 2020 between Bomet County Government and the supplier at a contract sum of Kshs.9,981,220 with an implementation period of six (6) months. However, as at the time of audit, the modules for radiology, health records, procurement and stores had not been fully implemented.

Failure by the supplier to fully implement and commission the system as per the contract agreement would lead to breach of the contract and also hamper service delivery to the public.

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 I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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 respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Report of the Auditor-General on County Executive of Bomet for the year ended 30 June, 2022

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 sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to dissolve the County Executive or to cease operations.

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

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

Those charged with governance are responsible for overseeing the County Executive's 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 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 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 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 controls 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 controls may not prevent or detect misstatements and instances of non compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

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

13 February, 2023