

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF KAJIADO 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 Kajiado set out on pages 1 to 63, which comprise of the statement of financial 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 Kajiado 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 the County Governments Act, 2012.

Basis for Qualified Opinion

1. Variances between the Trial Balance and Financial Statement Amounts and Balances

The statement of receipts and payments and as disclosed in Note 5 to the financial statements reflects Kshs.305,333,332 under domestic and subsistence and other transportation costs while the trial balance indicates Kshs.305,010,868 resulting to unexplained variance of Kshs.322,464. Further, Note 10 to the financial statements reflects overhaul and refurbishment of construction and civil works expenditure of Kshs.688,200,057 while the respective trial balance shows Kshs.688,146,057 resulting to unexplained difference of Kshs.54,000.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Variances between the Financial Statements and Ledger Balance

- i) The statement of receipts and payments and as disclosed in Note 3 to the financial statements reflects transfers from other Government entities amount of Kshs.416,999,017 while the ledger reflects an amount of Kshs.212,951,940 resulting in unexplained difference of Kshs.204,047,077.
- ii) Further the statement of receipts and payments and as disclosed in Note 7 to the financial statements also reflects transfers to other Government Units amount of Kshs.1,305,888,492 while the ledger reflects an amount of Kshs.2,070,696,873. The difference of Kshs.764,808,380 has not been explained.

In the circumstances, the accuracy and completeness of the amounts reflected in the financial statements could not be confirmed.

3. Cash and Cash Equivalents

The statement of assets and liabilities and as disclosed in Note 14 A to the financial statements reflects bank balances of Kshs.386,643,971. Review of the cashbooks, bank reconciliation statements, bank statements and certificate of bank balances revealed various anomalies noted below:

i. Agriculture Sector Development Support Program II KCB A/C

Note 14 A to the financial statements reflects account bank balance of Kshs.1,492,745 while the bank reconciliation statement reflects a reconciled balance of Kshs.1,330,545. The Resultant difference of Kshs.162,200 has not been explained.

ii. Kajiado County ASDSP II-CBK A/C

Note 14 A to the financial statements shows Kshs. Nil balance for the account while the bank statement and certificate of bank balance shows a balance of Kshs.12,355,587. It was also noted that the County Executive did not maintain a cashbook for the account.

iii. Kajiado County Climate Smart Agriculture Grants-CBK A/C

Note 14A to the financial statements reflects a bank balance of Kshs.42,751. The bank statement and certificate of bank balance however, show a balance of Kshs.43,522,587 The cashbook shows a bank balance of Kshs.42,751 but bank reconciliation statement was not provided in support of the balance. Further, the bank statement reflects a transfer of Kshs.43,479,836 dated 13 July, 2022 which was recorded in the cashbook on 30 June, 2022.

iv. Kenya Climate Smart Account -KCB A/C

Note 14A to the financial statements reflects a bank balance of Kshs.176,318,333. The cashbook, certificate of balance, bank statement and bank reconciliation statement however, reflects a bank balance of Kshs.145,750,094. In addition, the cashbook also reflects cash in hand balance of Kshs.22,182,670 which was not reported in the financial statements.

v. Bank Accounts Erroneously Included in the Financial Statements

Note 14 A to the financial statements includes bank balances for accounts, which should not be included in the financial statements. The accounts are for entities established under various Acts and are reported separately. Thus, the county assembly bank balance is overstated. The accounts are detailed below:

Account Name	Account Number	Reported Bank balance (Kshs.)
Loitokitok Sub County Hospital	1153737159	3,839,552
Kitengela Sub County Hospital	1159002436	930,913
Rongai Sub County Hospital	1156103290	9,430,883
Ngong Sub County Hospital	860277392057	0
Kajiado District Hospital	115318567	873,107

vi. Account Balances not Disclosed in the Financial Statements

The accounts and bank balances indicated in the schedule below were either not disclosed in the financial statements or omitted.

Account Details	Financial Statements Balance as at 30 June, 2022 (Kshs)	Bank Balance as at 30 June, 2022 (Kshs)

Kajiado County ASDSP II- CBK 1000365347	0	12,355,587
Kajiado County Revenue Collection Account- Equity Bank 0860277392057	Omitted	459,625
Kajiado Debt Collection Account-Equity Bank 8602785855591	0	99,900
Urban Institutional Grants- Equity bank 0860278965864	0	34,608,915

vii. Kajiado County Primary Health Care-CBK A/C

Note 14 A to the financial statements reflects the account bank balance of Kshs.1,098,375. The certificate of bank balance, bank statement and bank reconciliation statement however, reflect a balance of Kshs.9,135,000. The financial statements balance is thus understated.

viii. Kajiado County Department of Health Grants-CBK A/C

Note 14 A to the financial statements reflects a bank balance of 16,847,333. The cashbook and the bank reconciliation statement however, reflects a balance of Kshs.16,720,248. Further, the bank reconciliation statement shows payments in cashbook not recorded in bank statement (unpresented cheques) totalling Kshs.17,714,016, which includes stale cheques totalling Kshs.205,716, an amount that was not recorded in the cashbook.

In addition, a cheque for Kshs.75,229 drawn in favour of Ilkilorit dispensary on 30 June, 2022 was not recorded in the cashbook.

ix. County Health Management Team-KCB A/C

Note 14 A to the financial statements reflects the account bank balance of Kshs.650,332. The bank reconciliation statement and cashbook however, reflects a balance of Kshs.603,523. The bank reconciliation statement showed unpresented cheques of Kshs.46,809 which were not supported with a schedule.

x. Kajiado County Nutrition Funds-CBK A/C

Note 14 A to the financial statements, cashbook and bank reconciliation statement reflects bank balance of Kshs.756,300 while the cashbook shows balance of Kshs.4,014,900 that was not disclosed in the financial statements. The cash and cash equivalents balance is therefore understated.

xi. Kajiado County KE Devolution Support Program Bank A/C

Note 14 A to the financial statements reflects a bank balance of Kshs.97,971,408. The certificate of bank balance shows a balance of Kshs.77,272,933. The cashbook and bank reconciliation statement were however, not provided for audit review and the balance is thus unsupported.

xii. Lack of a Board of Survey

The Management did not provide Board of survey report as at 30 June, 2022 for audit review.

Note 14 A to the financial statements erroneously show three (3) Bank Accounts with the same Account numbers as noted below. The correct account numbers are also included in the table below.

In the circumstances, the cash and cash equivalents balance of Kshs.386,643,971 could not be confirmed.

4. Unsupported Compensation for Casuals

The statement of receipts and payments and as disclosed in Note 4 to the financial statements reflects compensation of employees amount of Kshs.3,125,482,350. Included in the amount are basic wages and personal allowances paid as reimbursement of Kshs.38,524,979 and Kshs.1,572,000 respectively. The expenditure has however, not been supported by a schedule as required. Further, basic wages amount of Kshs.38,524,979 was at variance with the IFMIS payment details amount of Kshs.21,000,619 by Kshs.17,524,360.

In the circumstances, the accuracy and completeness of the compensation of employees amount of Kshs.3,125,482,350 could not be confirmed.

5. Expenditure Charged to Wrong Accounts

The statement of receipts and payments and as disclosed in Notes 5 and 10 to the financial statements reflects use of goods and services and acquisition of assets amount of Kshs.1,262,610,751 and Kshs.1,476,842,751 respectively. The expenditure includes amounts of Kshs.131,011,114 and Kshs.23,474,717 respectively, irregularly charged to the accounts as indicated below;

Use of Goods and Services

	Account Charged	Correct Account	Amount Kshs.
1	Domestic travel and subsistence	Casuals, electricity and hire of equipment	103,239,944
2	Foreign travel and subsistence	Others	11,321,400

	Account Charged	Correct Account	Amount Kshs.
3	Training Expenses	Casual wages and Subscription	5,420,000
4	Routine maintenance- motor vehicle	Various Items	3,524,020
5	Utilities supplies and services	Motor vehicle maintenance	1,000,000
6	Insurance Cost	Basic wages of temporary employees	1,693,750
7	Insurance Cost	Basic wages of temporary employees	1,693,250
8	Insurance Cost	Basic wages of temporary employees	3,118,750
		Total	131,011,114

Acquisition of Assets

Account Charged	Correct Account	Amount Kshs.
Construction of Roads	Courier Services	23,474,717
	Total	23,474,717

In the circumstances, the total expenditure of Kshs.154,485,831 was charged to incorrect accounts thereby affecting activities for the items whose budget was utilized.

6. Unrecorded Expenditure

The statement of receipts and payments reflects use of goods and services amount of Kshs.1,262,610,751 which include other operating expenses of Kshs.104,085,378 as disclosed in Note 5 to the financial statements. Out of the amount, expenditure of Kshs.21,566,000 was not recorded in the account analysis/ledger accounts.

In the circumstances, the accuracy and completeness of other operating expenses of Kshs.21,566,000 could not be confirmed.

7. Unsupported Expenditure

- i. The statement of receipts and payments reflects acquisition of assets amount of Kshs.1,476,842,751 which include unsupported expenditure of Kshs.343,530,231 as detailed below.

Account Code	Item	Expenditure Kshs.
3110200	Construction of Buildings- Medical equipment	39,797,293

Account Code	Item	Expenditure Kshs.
3110200	Construction of Buildings- Building construction management	24,820,643
3110500	Construction and Civil works	244,704,183
3111100	Purchase of specialized plant, equipment and machinery-Building construction management	9,711,907
3111100	Purchase of specialized plant, equipment and machinery-Revenue Automation	12,248,103
3111100	Purchase of specialized plant, equipment and machinery-Revenue Automation	10,191,680
3111100	Purchase of specialized plant, equipment and machinery-Revenue Automation	2,056,421
	Total	343,530,231

- ii. The statement of receipts and payments also reflects Transfers to Other Government Entities of Kshs.1,305,888,492 which includes amounts transferred to undisclosed entities totalling to Kshs.170,750,048 as disclosed in Note 7 to the financial statements. Thus, without identifying the recipient entities confirmation of transfer was not possible.

In the circumstances, the propriety, accuracy and completeness of the acquisition of assets and transfers to other government entities amounts of Kshs.343,530,231 and Kshs.170,750,048 respectively could not be confirmed.

8. Non-disclosure of Accounts Payable (Deposits and Retentions) Balance

The statement of assets and liabilities and as disclosed in Note 16 to the financial statements reflect a Kshs. Nil account payables balance, being deposits and retention monies balances. The trial balance and retention monies schedule, however, reflects balances of Kshs.136,627 and Kshs.86,518,801 respectively. In addition, Note 14 A to the financial statements on cash and cash equivalents reflects a deposit account balance of Kshs.136, 628.

In the circumstances, the accuracy and validity of the accounts payable balance of Kshs.Nil could not be confirmed.

9. Non-disclosure of Pending Bills/Account Payables

The schedules for pending bills, under other important disclosures reflects Kshs.Nil balances for pending accounts payable, pending staff payables and other pending payables. Further, Annexes 2,3 and 4 reflect Kshs.Nil balances for the three accounts.

The financial statements for the previous financial year, however, reflects pending bills totalling to Kshs.1,732,181,257 and settlement of the balance has not been supported. In the circumstances, the opening accounts payable balance of Kshs.1,732,181,257 could not be confirmed.

10. Non-disclosure of County Revenue Fund Balance

Note 14 A to the financial statements reflects Kshs.Nil balance for Kajiado County Revenue Fund as at 30 June. 2022. The Fund is supposed to hold unspent monies from the County Government Entities at the end of the financial year and it has not been explained why the account has Kshs.Nil balance.

In the circumstances, the accuracy and completeness of the Kshs. Nil balance reported for the Kajiado County Revenue Fund not be confirmed.

11. Unsupported Prior Year Adjustment Balance

The statement of assets and liabilities reflects prior year adjustment balance of Kshs.264,690,574, being adjustments to bank account balances as disclosed in Note 18 to the financial statements. The adjustments have not however, been supported by records to support the corrections carried out and to which bank account.

In the circumstances, the accuracy and completeness of the prior year adjustment balance of Kshs.264,690,574 as at 30 June, 2022 could not be confirmed.

12. Unconfirmed Insurance Costs

The statement of receipts and payments reflects use of goods and services amount of Kshs.1,262,610,751, which includes insurance costs of Kshs.89,684,620 as disclosed in Note 5 to the financial statements. Out of the amount, Kshs.45million was paid to National Hospital Insurance Fund, being premium for the financial year 2021/2022. The confirmation of the amount received by the Fund revealed that an amount of Kshs.72 million was received from the County Government. Thus, the amount paid to the Fund is understated by Kshs.72 million.

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

Emphasis of Matter

Budgetary Control and Performance

i. Variances between Statement of Comparison of Budget and Actual Amounts and Approved Budget Amounts

The statement of comparison of budget and actual amounts reflects expenditure budget amounts which was at variance with the amounts reflected in the approved budget as indicated below;

Description	Statement of Comparison of Budget and Actual Amounts (Kshs)	Approved Budget (Kshs)	Unexplained Variance (Kshs)
Development Budget	3,775,036,249	3,385,066,539	389,969,710
Recurrent Budget	7,247,054,189	6,576,319,377	670,734,812
Total Budget	11,022,090,438	9,961,385,916	1,060,704,522

The variances have not been explained and the amounts in the statement of comparison of budget and actual amounts are misstated.

ii. Budget Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on a comparable basis of Kshs.11,022,090,439 and Kshs.7,489,421,574 respectively resulting to an under-funding of Kshs.3,532,668,865 (or 32%) of the budget. Similarly, the County Government expended Kshs.7,720,371,344 against an approved budget of Kshs.11,022,090,439 resulting to an under-expenditure of Kshs.3,301,719,095 or (30%) of the budget.

In the circumstances, the underfunding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

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.

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. Processing of Salaries Outside IPPD

The County Government of Kajiado operated two parallel payrolls, excel payroll and the Integrated Payroll and Personnel Database (IPPD). The County Government processed salaries totalling Kshs.12,276,565 through manual payroll.

Further, it was not possible to ascertain whether the officers under the manual payroll were drawing salaries from other government institutions as some are indicated as employees under contracts.

In the circumstances, the County Government was in breach of the law.

2. Noncompliance with Ethnic and Gender Composition

Review of human resource records revealed that during the financial year ended 30 June, 2022, the County Executive had 3727 employees and out of the number, 2499 or 67% were from the local dominant community. This is contrary to Section 65 (2) of the County Governments Act, 2012 on appointment, promotion or re-designation which requires recruitment to be undertaken in a fair and transparent manner that consider merit, fair competition and representation of the diversity of the county. Further, the biodata presented for audit review indicated that the County Government had 3,727 employees as at 30 June, 2022, out of which 2,045 were male (55%) while 1,682 (45%) were female. This is contrary to Article 232 (1)(i) of the Constitution of Kenya 2010.

In the circumstances, the County Government was in breach of the law.

3. Expenditure on Compensation of Employees Beyond Set Threshold

The statement of receipts and payments reflects compensation of employees amount of Kshs.3,125,482,350 representing 42% of the total revenue of Kshs.7,489,421,574 realized during the financial year. The amount exceeded the set threshold as required by Section 25 (1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015.

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

4. Non-Compliance with One Third Basic Pay Rule

Review and analysis of the monthly payroll revealed that one hundred and nine (109) employees received net salaries below one a third of their basic salary. This is contrary to the provisions of Section 19(3) of the Employment Act 2007, which requires that an employee's salary should not be deducted beyond two thirds of the basic salary.

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

5. Irregular Bursary Issuance Process

The County Government had a budget of Kshs.150,000,000 for scholarship and other educational benefits. Out of the amount, Kshs.4,500,000 or (3%) was allocated to administration cost and the balance of Kshs.145, 500,000 was to be distributed to the Wards equally as per the Bursary Act, of 2015 where each Ward was to receive Kshs.5,820,000.

The minutes and list of beneficiaries for 10 Wards provided, revealed that each of the Wards received an amount of Kshs.2,910,000, totalling to Kshs.29,100,000. The issuance of bursary for the balance of Kshs.116,400,000 could not be confirmed, as the minutes and lists of beneficiaries from 15 Wards were not provided for audit review.

Further, analysis of the vouchers for bursaries disbursement revealed that beneficiaries identified at the Wards were later replaced with other students. This is a contravention of the principles of Section 10 of Kajiado County Bursary Fund Act, 2015 on fairness in allocation of monies, equitable distribution of allocation of monies to all parts of the Ward, inclusivity and non-discrimination in distribution of bursary fund.

In the circumstances, the issuance of bursary in the County lacked fairness and equity in distribution and therefore the Management was in breach of the law.

6. Non Compliance with Contract Terms

i. Upgrade of Kiserian Market Roads

The County Government advertised Tender No. CGK/KAJNM/03/2020-2021 for upgrade of various Kiserian Market Roads to cabro standards and the contract was awarded at a contract sum of Kshs.62,327,588. Audit inspection carried out on 19 July, 2022 revealed that the street lighting and installation valued at Kshs.2,450,000 had not been executed yet were included in the contract. The roads do not also have proper road signage for users direction.

ii. Upgrade of Juanco- Olepolos Road

The County Government advertised for Tender No.CG/KAJNM/KUSP/02/2020/2021 for Upgrade of Juanco-Olepolos Road to bitumen standards and awarded the contract at sum of Kshs.57,378,472. The tender specifications required bidders to have Access to Government Procurement Opportunities (AGPO) certificate but the contracted tenderer did not have AGPO Certificate.

In the circumstances, the procurement was irregular and works carried out were substandard and no value for money was received.

7. Project Implementation-Noongabolo- Ereteti Road

The statement of receipts and payments reflect acquisition of assets amount of Kshs.1,476,842,751, which includes expenditure on projects undertaken during the period under review. A contract for grading, gravelling and drainage works including

culverts for Noongabolo- Ereteti Road was awarded to a contractor at a contract sum of Kshs.21,556,036. Physical verification carried out on the project during the month of July, 2022 revealed that only earthworks was done.

In the circumstances, the project has not been implemented as per the contract specifications. The residents of Kajiado have also not gotten value for money from the funds expended on the project.

8. Stalled Project-Construction of Out-Patient Department at Emotoroki Dispensary

The County advertised Tender No. CGK/SCM/AWARDS/DEV/HS/03/2020/2021 for the construction of Phase 1 of Out-Patient Department at Emotoroki Dispensary. The contract was awarded on 30 April, 2021 at a contract sum of Kshs.1,997,984 and was signed on 11 May, 2021 for a period of 60 days. The Bill of Quantities indicate Phase 1 of the project was to be done up to the superstructure roofing level. The project implementation status report indicated that the project was 75% complete. However, site inspection report from public works dated 22 June, 2021 also indicated that the construction of the substructure was complete, materials on site (walling and roofing) and a recommendation to pay the contractor the first payment was given. The County made payment of certificate No.1 of Kshs.1,504,775 on 29 December, 2021.

Physical verification conducted on 19 July, 2022 revealed that only the slab/ substructure was complete, no materials were on site and the contractor was also not on site. The project had stalled and the basis of arriving at 75% completion level was not clear. Further, the balance of Kshs.700,000 of the contract sum is inadequate to complete the project.

In the circumstances, the project has not been implemented as per the contract agreement and payment of the amount of Kshs.1,504,775 is irregular. The residents of Kajiado have also not gotten value for money from the funds expended on the project.

9. Failure to Prepare County Revenue Fund Financial Statements

The Management did not prepare and submit for audit County Revenue Fund financial statements contrary to section 167 of the of the Public Finance Management Act, 2012 which requires the county public fund administrator to prepare financial statements for the fund for each financial year in a form prescribed by the Public Sector Accounting Standards Board.

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

10. Failure to Comply with the Public Sector Accounting Standards

A review of the financial statements revealed the following anomalies:

- a) The templates guiding notes have been retained in a number of pages of the financial statements while the same ought to have been deleted on being acted on.

- b) Environmental and Sustainability Reporting has not been included as required by the reporting template.
- c) Note 10 on Contingent Liabilities and Note 16 on Other Important Disclosures have been omitted.
- d) Annex 2 on analysis of pending account payables, Annex 7 on inter-entity transfers, Annex 8 on contingent liabilities register, Annex 6 on summary of non-current asset register and Annex 11- bank reconciliation/FO 30 Report from IFMIS are included in the financial statements but the amounts and balances are omitted.

In the circumstances, the financial statements do not comply with the reporting template prescribed by the Public Sector Accounting Standards Board.

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 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 an Approved Staff Establishment

Review of the personnel records revealed that the County Government had no approved staff establishment as prescribed by Section 55(b) and (c) of the County Government Act, 2012 for the County Government to ensure staff requirements are kept at optimum levels for efficient, quality and productive services for the People of the County.

In the circumstances, the County Government may not operate at optimum staffing level and service delivery could be a challenge and also the possibility of excess staff engaged resulting to unsustainable wage bill.

2. Lack of a Human Resource Plan

A review of the Human Resource records revealed that the Human Resource plan for the financial year 2021/2022 was not in place. The goals and objectives of the County Government may not have been realised as the plans were not drawn for the year. Further, emerging issues and needs of staff may not have been addressed adequately. The Human Resource plans includes the recruitment plan and which was consequently not drawn. Thus, it was not possible for the County Public Service Board to know the recruitment needs and fill the vacancies as required.

In the circumstances, optimum delivery of the services and achievement of the County objectives was not possible.

3. Lack of Fixed Assets Register

Annex 6 to the financial statements on non-current assets register reflects Kshs. Nil balances for all the assets and the Management did not also provide a fixed assets register as required by Section 136(1) of the Public Finance Management (County Government) Regulations, 2015, which requires the accounting officer to maintain a register of assets under his or her control or possession.

In the circumstances, the accuracy and completeness of non-current assets balance could not be confirmed. Therefore, the expected internal control on fixed assets is lacking.

4. Lack of Imprest Register

A review of payment records revealed that imprests were issued to the County officers for various assignments during the year under review. The imprests were however not recorded in the imprest register as the Management did not maintain one for recording imprests details including staff name, date of issuance, staff number, imprest warrant number and due date for ease of managing and controlling of imprests.

In the circumstances, the County Government Imprest management is poor and accountability of the same is doubtful.

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.

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 ability to continue 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 intention to dissolve the County 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 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 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 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'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 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 to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

01 March, 2023