REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF MOMBASA 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 Mombasa set out on pages 1 to 230 , 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 - recurrent, development and combined for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Unsupported Other Receipts

The statement of receipts and payments and Note 3 to the financial statements reflects other receipts of Kshs. 3,672,719,815. Review of financial records revealed that the County Government collected revenue through various revenue streams such as E-lands, Tech biz, e-citizen and other revenue collection information systems. However, Tech biz invoices for the period from 1 July, 2021 to 30 June, 2022 for revenue amounting to Kshs. 691,314,864 collected from e-parking, e-housing, e-market and e-services and land rates revenue collection report (E-Lands Services) for the months of August 2021, September, 2021 and November, 2021 were not provided for audit review.

Further, Note 3 to the financial statements, included other property income-rates of Kshs. 810,191,232. Review of the LAIFOMS annual collections report showed land rates of Kshs. 810,191,232 while E-Lands Services Report showed a balance of Kshs. 776,901,062, resulting in an unexplained variance of Kshs. 33,290,170. A detailed LAIFOMS reports on land rates amounting to Kshs. 20,891,888, Kshs. 20,739,298 and Kshs. 18,164,364 for the months of August, September and November, 2021 respectively, all totalling to Kshs. 59,795,550 were not provided for audit.

In addition, the report on land rates defaulters provided for audit review indicated that as at 30 June, 2022, defaulted land rates amounted to Kshs. 7,796,421,735. However, no evidence of adequate measures taken by the receiver of revenue to collect the revenue as required under Regulation 63(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 was provided for audit review.

Moreover, review of the parking fees collection account revealed total banking of Kshs. 292,978,400 during the year under review. However, E-Parking Module which integrates with MPESA and Visa Card indicated collections of Kshs. 219,810,000 resulting to un-explained variance of Kshs. 73,168,400.

Note 3 to the financial statements reflects house rent income of Kshs. 25,031,115 from Khadija Housing Estate comprising 100 units with rent chargeable per unit being Kshs. 5,895 per month. Further LAIFOMS report provided for audit review indicated that some of the tenants paid monthly rent of Kshs. 3,929 per unit, contrary to the provisions of the Finance Act, 2021, leading to under collection of housing rent by Kshs. 1,061,664 during the year under review.

According to Note 3 to the financial statements, an amount of Kshs. 1,032,150,140 was in respect to health and sanitation revenue. However, the revenue was not supported by Mpesa pay bill statement and bank collection account statements.

In the circumstances, the accuracy and completeness of other receipts totalling to Kshs. 3,672,719,815 could not be confirmed.

2. Unexplained Variances in Other grants and Transfers

The statement of receipts and payments and Note 8 to the financial statements reflects other grants and transfers of Kshs. 433,265,270. The balance excluded payments totalling Kshs. 225,616,458 shown in payment details and IFMIS cash books for transforming health systems and water and sanitation development project for the year under review.

In the circumstances, the accuracy and completeness of other grants and transfers of Kshs. 433,265,270 could not be confirmed.

3. Expenditure not Captured in Integrated Financial Management Information System (IFMIS) Vote Book

The statement of receipts and payments and Note 4 to the financial statements reflects expenditure on compensation of employees totalling Kshs. 5,282,042,665 which included personal allowances paid as part of salary and pension and other social security contributions of Kshs. 1,867,660,109 and Kshs.165,756,621, respectively. However, IFMIS vote book showed payments of Kshs. 1,821,888,622 and Kshs. 161,320,805 respectively, resulting in unexplained variances of Kshs.45,771,487 and Kshs.4,435,816 between the two records.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.1,867,660,109 and Kshs.165,756,621 on personal allowances paid as part of salaries and pension and other social security contributions, respectively could not be confirmed.

4. Unexplained Voided Transactions

Review of the financial records revealed that three thousand eight hundred and thirty-eight (3,838) transactions in IFMIS amounting to Kshs.10,005,393,347 were voided. However, supporting documents such as voided payment vouchers, requests to void payments, the National Treasury approval and Exchequer requisitions from the Controller of Budget were not provided for audit review. Further, the voided payments have not been disclosed as pending accounts payable and the utilization of funds meant for voided transactions was also not confirmed.

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

5. Inaccuracies in Pending Bills

As disclosed under other important disclosures Notes to the financial statements, the County Executive of Mombasa had pending bills totalling Kshs.5,726,776,669 comprising of pending accounts payable of Kshs.3,461,882,267, pending staff payables of Kshs.2,024,985,748 and other pending payables of Kshs.239,908,654. However, review of the supporting documents revealed the following anomalies:

i. Pending accounts payables opening balance is shown as Kshs.4,333,383,224 while the audited financial statements for 2020/2021 reflected a balance of Kshs.3,158,335,663, resulting in a variance of Kshs.1,175,047,561.

ii. Pending staff payables opening balance is shown as Kshs.2,961,481,253, while the audited financial statements for 2020/2021 reflected a balance of Kshs.1,506,972,278, resulting in a variance of Kshs.1,454,508,975. Further, the pending staff payables relate mainly to unremitted payroll deductions and dues to various statutory authorities, which may attract interest and penalties for late remittance.

In the circumstances, the accuracy and completeness of the pending bills balance of Kshs.5,605,544,265 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 Mombasa 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 - recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.14,000,000,000 and Kshs.11,263,379,921 respectively, resulting in an under-receipt of Kshs.3,384,641,569 (or 20%) of the budget. Similarly, the County Executive expended an amount of Kshs.11,201,490,773 against an approved budget of Kshs.14,000,000,000, resulting in an under-expenditure of Kshs.2,798,509,227 (or 20%) of the budget. Management has attributed the low absorption to late disbursement of the exchequer by the National Treasury.

In the circumstances, the under-funding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the residents of Mombasa County.

2. Unresolved Prior Year Matters

Prior year audit issues remained unresolved as at 30 June, 2022. Management has not provided reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board**.**

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. Revenue not Banked into the County Revenue Fund

Note 3 to the financial statements, reflects an amount of Kshs.538,838,877 in respect of motor vehicle parking fees. Review of the parking fees collection account revealed parking fees of Kshs.520,613,122 was transferred to the County Revenue Fund, leaving un-transferred collections of Kshs.18,225,755. This was contrary to Section 109(2) of the Public Finance Management Act, 2012 which requires the County Treasury for each County Government to ensure that all money raised or received by or on behalf of the County Government is paid into the County Revenue Fund.

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

2. Failure to Prepare Financial Statements for Semi-Autonomous Entities

It was noted that the financial statements of Mombasa County General Hospital, a level 5 hospital, Receiver of Revenue, and County Revenue Fund were not submitted to the Auditor-General, contrary to the requirement of Section 47(1) and(2) of the Public Audit Act, 2015 which stipulates that, the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate and, financial statements shall be in the form and content as prescribed by the Public Sector Accounting Standards Board.

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

3. Delayed Implementation of Transforming Health Systems for Universal Care Project

Records provided for audit review indicated that Transforming Health Systems for Universal Care Project had received grants totalling Kshs.111,863,884 being grants for financial years 2017/18 to 2021/2022, out of which Kshs.77,658,132 (or 70%) had been spent in the year under review. Further, grants totalling Kshs.18,129,227 for 2021/2022 as approved vide the County Governments Grants Act, 2021 were not disbursed to the Project due to low utilization rate of 31% achieved in 2020/2021 compared with the agreed target of 80% grants utilization rate. In addition, for the financial year 2021/2022, grant amounts were not disbursed due to failure to meet performance targets.

In the circumstances, value for money has not been realized on implementation the project.

4. Delayed Completion of Mombasa Sports Complex Project

The statement of receipts and payments and Note 10 to the financial statements reflects expenditure on acquisition of assets totalling Kshs.1,244,112,132, out of which Kshs.434,071,882 relates to construction and civil works. The latter amount further includes Kshs.96,168,172 paid for construction and development of Mombasa Sports Complex Project.

Available records indicate that the budgeted cost of the project was Kshs.1,768,183,999. The contract was signed on 28 December, 2018 with an expected start date of

18 January, 2019 and a contract duration of three years. The contractor was paid a total of Kshs.96,168,172 during the financial year 2021/2022, thereby bringing the total payments to Kshs.619,782,153. However, as at the time of the audit inspection of the project in July, 2022, the project's contract period had lapsed by six (6) months with only 35% of the works completed and paid for.

In the circumstances, there is risk of cost escalation and value for money may not be realized on the project.

5. Construction of Early Childhood Development (ECD) Schools

As reported in the previous years, the Department of Education entered into a contract for construction of eight (8) ECD schools in eight locations in the financial year 2014/2015 at a total cost of Kshs.214,173,840. The contract duration was thirty-two (32) weeks, which commenced in May, 2014 and expected completion date was December, 2015.

However, as at the time of the audit inspection in July, 2022, only six (6) ECD schools had been completed while the remaining two had stalled at roofing level with doors and windows already fitted and no contractors on site.

In the circumstances, value for money on the expenditure could not be ascertained.

6. Projects Implementation Status

Review of the projects implementation status report as at 30 June, 2022 provided for audit shows no major changes in the projects status from the previous year. A total of one hundred and three (103) projects, with a cumulative contract price of Kshs.2,688,500,796 were rolled out across the County Departments and Regions. However, the following observations were made:

i. Twelve (12) projects costing Kshs.36,691,411 and representing 12% of the total projects, with contract price amounting to Kshs.36,691,411 were complete and in use.

ii. Eighty-seven (87) projects representing (84%) of the total projects with a cumulative contract price of Kshs.2,545,832,590 were ongoing.

iii. Four (4) projects representing (4%) of total projects with a cumulative contract price of Kshs.106,056,715 had stalled.

Further, review of financial records revealed that the grading and gravel spot improvement of Mishomoroni-Mwakirunge Road (L34) dumpsite section was undertaken at a cost of Kshs.11,056,326. Project verification was conducted on 1 August, 2022 and the following matters were observed:

i. From the first interim certificate, it was noted that the contractor was to cut a v-drain at both sides of the road including meter drain for 4,400 LM amounting to Kshs.1,597,200. There was no evidence of v-drain put on the road.

ii. The bills of quantities indicated under gravel works that the contractor was to grade, shape, bench or otherwise water and compact existing shoulders, accesses and lay bays to instructed depth covering 43,400 square meters, at a cost of Kshs.2,133,000. The works had not been done yet the contractor had been fully paid.

iii. No signage which was provided for in the bills of quantities was seen as at the time of verification.

In addition, financial records indicated that routine maintenance of Duruma and Shekal Roads in Mvita Sub-county were undertaken at a cost of Kshs.10,232,233 .The project was verified on 2 August, 2022 and found to have developed pot holes in several sections. The Project Engineer attributed the state of the roads to the rainy season.

In the circumstances, the residents of Mombasa County may not get value for money on the projects.

7. Failure to Observe One Third of Basic Salary Payment Rule

Review of the pay roll revealed that eighty-nine (89) employees received net salaries which were less than a third (1/3) of their basic salaries, contrary to Section 19(3) of the Employment Act, 2007 which provides that, 'without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of sub section (1), 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 by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry'.

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

8. Staff in Acting Position without Appointment Letters

Records provided for audit review indicated that two (2) employees were appointed in acting positions. However, no appointment letters were provided for audit review. Further, one (1) officer was appointed to act as the Director Cabinet Affairs, Research, Policy and Liaison by the County Secretary without the approval of the County Public Service Board. This was contrary to Section 63 (1) of the County Government Act, 2012 which stipulates that, 'except as provided for in the Constitution or legislation, the County Public Service Board has the power to make appointments including promotions in respect of offices in the county public service'.

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

9. Irregular Appointments to Acting Positions

Records provided for audit review indicated that seven (7) officers were appointed to act in positions that were more than one (1) job group above their substantive positions, contrary to Paragraph F.6 of the County Public Service Human Resource Manual, 2013 which states that, 'When an officer is called upon to perform duties of a higher post but does not possess the necessary qualifications for appointment to that post, he will be paid special duty allowance at the rate of 10% of the officer's basic salary or 10% of the minimum basic salary of the higher grade, whichever is higher. The payment of special duty allowance will be subject to recommendation by the Human Resource Management Advisory Committee and approval by the Authorized Officer'. However, the officers were paid acting allowances at 20% of the basic pay rather than the special duty allowance which is 10% of the basic pay.

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

10. Non-Compliance with Fiscal Responsibility on Wage Bill

The statement of receipts and payments reflects expenditure totalling Kshs.5,282,042,665 in respect of compensation of employees representing 46% of the total revenue received of Kshs.11,263,379,921 during the year under review. This was contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the County Assembly to set a wage limit which should not exceed 35% of the total revenue received.

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

11. Un-remitted Payroll Deductions and Withheld Taxes

Financial statements and as disclosed under other disclosures Note 3 for other pending payables reflects unremitted taxes of Kshs.239,908,654.This was contrary to Section 19 (4) of the Employment Act, 2007 which provides that, ‘an employer who deducts an amount from an employee’s remuneration shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement, court order or arbitration as the case may be’. The non-remittance of the withheld tax was also contrary to Section 42A (4b) of the Tax Procedures Act No. 29 of 2015 which requires tax withheld to be remitted to the Commissioner on or before the twentieth day of the month following the month in which the deduction is made.

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

12. Failure to Withhold Income Tax

During the year under review, the County Executive of Mombasa paid a local company an amount of Kshs.25,651,737 in respect of commissions on revenue collection services. However, withholding income tax (WHIT) was not deducted from the payments, contrary to Section 5 (F) of the Income tax Act Cap 470 which requires withholding income tax of 5% on consultancy services to be withheld and remitted to Kenya Revenue Authority.

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

13. Non-Recovery of Un-surrendered Imprests

Review of imprests records and previous year’s financial statements revealed that as at 30 June, 2021, the outstanding imprests amounted to Kshs.35,731,802. However, out of that amount, only Kshs.425,799 had been recovered through the Integrated Personnel and Payroll Database (IPPD), leaving a balance of Kshs.35,306,003 as at 30 June, 2022. This was contrary to Regulation 93 (6) of the Public Finance Management (County Governments) Regulations, 2015 which states that, ‘in the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate’.

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

14. Unapproved Maintenance Allowance

Included in the personal allowances paid as part of salary of Kshs.1,867,660,109 and as disclosed in Note 4 to the financial statements, is car maintenance allowance of Kshs.2,197,031. However, review of the budget estimates for 2021/2022 financial year and the Vote Book revealed that the County Government did not budget for the allowance.

In addition, the allowance was paid outside IPPD, contrary to Section 149 (1) (a) of the Public Finance Management Act, 2012 and Regulation 53 (1) of the Public Finance Management (County Governments) Regulations, 2015 which provide that, 'an accounting officer is accountable to the county assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized'.

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

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 overall governance were not effective.

Basis for Conclusion

1. Lack of Internal Audit Committee and Operational Independence of Internal Audit Unit

Review of the governance structure of County Executive of Mombasa revealed that it did not have the Audit Committee and that the Head of Internal Audit reports directly to the Accounting Officer, contrary to Section 155 (5) of the Public Finance Management Act, 2012 which states that, 'a county government entity shall establish an internal auditing committee whose composition and functions are to be prescribed by the regulations'. In addition, without the Audit Committee, the operational independence of the Internal audit unit could not be guaranteed.

In the circumstances, it was not possible to confirm effective functioning of internal controls.

2. Lack of Data Protection Safeguards

Review of the Information and Communication Technology environment revealed that the data was stored in a web-based cloud storage platform called Degoo Cloud. The data are accessible through a personal Gmail Account, giving rise to data protection risk. Further, Management did not explain how Degoo Cloud was selected as the vendor for the cloud

storage. In addition, there was no service level agreement/contract between Degoo Cloud and County Executive on the storage of the digitized data.
In the circumstances, there was no evidence that Management had instituted effective internal controls to guarantee data security.

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 processes and systems of internal controls, 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 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 Mombasa's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to terminate 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 Mombasa'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 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 controls 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 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County Executive's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County Executive to cease to continue 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 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

06 April, 2023