

# **REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY 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 overall 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 Assembly of Bomet set out on pages 1 to 40, 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 - recurrent and development 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 Assembly 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. Misclassified Expenditure**

The statement of receipts and payments reflects use of goods and services amount of Kshs.322,579,589. Included in the amount is Kshs.38,096,241 relating to hospitality supplies and services out of which Kshs.8,239,110 was incurred on foreign travel and subsistence but erroneously classified under hospitality supplies expenditure item.

In the circumstances, the accuracy and completeness of use of goods and services amount of Kshs.8,239,110 could not be confirmed.

### **2. Unsupported Other Operating Expenses**

The statement of receipts and payments reflects use of goods and services amount of Kshs.322,579,589. Included in the amount is Kshs.79,660,450 relating to other operating expenses out of which Kshs.5,040,000 was incurred on rent for ward offices. However, the lease agreements, rent invoices and receipts were not provided for audit.

In the circumstances, the accuracy and completeness of other operating expenses amount of Kshs.79,660,450 could not be confirmed.

### **3. Unsupported Acquisition of Assets**

The statement of receipts and payments reflects acquisition of assets amount of Kshs.73,803,147. However, the detailed schedule showing the assets description, contract value, certificates paid to-date, commence and completion dates were not provided for audit.

In the circumstances, the accuracy, completeness and validity of acquisition of assets amount of Kshs.73,803,147 could not be confirmed.

### **4. Inaccuracies in Pending Accounts Payable Balance**

Note 1 to the financial statements under other important disclosures reflects pending accounts payables balance of Kshs.5,852,827. However, the disclosed balance excludes Kshs.120,568,388 and Kshs.411,546,463 reflected in the County Assembly and Kenya Revenue Authority I-Tax ledgers respectively. Although Management provided correspondences with the Kenya Revenue Authority (KRA) indicating that the County

Assembly had been remitting taxes, no explanation was provided why the County Assembly tax account and the KRA ledger reflected outstanding balances.

In the circumstances, the accuracy of the pending accounts payables balance of Kshs.5,852,827 could not be confirmed. In addition, the County Assembly is at risk of incurring interest and penalties due to failure to remit the outstanding taxes.

## **5. Unsupported Accounts Payables –Retentions and Deposits**

The statement of assets and liabilities reports accounts payables-deposits and retentions balance of Kshs.5,852,827. However, a detailed schedule showing opening balances, additions for the year and payments for the year to arrive at the closing balance was not provided for audit.

In the circumstances, the accuracy and completeness of the accounts payables – retentions and deposits balance of Kshs.5,852,827 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Assembly 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 were no key audit matters to report in the year under review.

### **Other Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts: recurrent and development combined reflects a final receipts budget of Kshs.935,721,526 against actual receipts of Kshs.731,128,005 resulting to budget under funding of Kshs.204,593,521 or 22% of the budget. Similarly, the statement reflects a final expenditure budget of Kshs.935,721,526 against the actual expenditure of Kshs.730,885,226 resulting to under absorption of Kshs.204,836,300 or 22% 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.

# REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

## **Conclusion**

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1. Non-Compliance with the Cut-Off Date**

The statement of receipts and payments reflects total payments amount of Kshs.730,885,226. However, included in the amount is Kshs.72,813,638 comprising of recurrent expenditure of Kshs.44,086,362 and development expenditure of Kshs.28,727,276 made after the financial year cut-off date of 30 June, 2022 in breach of Section 97(4) of the Public Finance Management Regulations, 2015 which prohibits cash transactions after the financial year cut-off date.

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

### **2. Over-Commitment of Salary Beyond the Statutory Limit**

Review of payroll revealed that twenty-one (21) employees received net pay below a third (1/3) of their basic salary contrary to the provisions of Section 19(3) of the Employment Act, 2007 which stipulates that, the deductions made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages.

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

### **3. Non-Compliance with the Law on Staff Ethnic Composition**

Review of the of personnel records indicated that during the year under review, the County Assembly had a staff composition of fifty-seven (57) employees out of which fifty-six (56) or 99% were members of the dominant ethnic community. This is contrary to Section 65(1) e of the County Government Act, 2012 which states the need to ensure that at least 30% of the vacant positions at the entry level are filled by candidates who are not from dominant community in the County.

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

### **4. Acting Appointments in Excess of Policy Period**

Review of personnel records indicated that three officers appointed on acting capacity on diverse dates exceeded the twelve (12) months mandatory period of appointment without

renewal. This is contrary to Section B. 32 of the Human Resource Manual that require acting appointments to be limited to twelve months at any given time for substantive vacant position.

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

## **5. Irregular Retirement of an Employee**

Review of records indicated that one officer went into early retirement on 3 February, 2022. Though her request was approved on 24 February, 2022 she failed to attend the exit interview. In addition, the officer has not submitted the handing over report or filled the clearing form. Further, she has not handed over any assets she possessed belonging to the County Assembly.

In the circumstances, the County Assembly's assets may not be adequately safeguarded.

## **6. Over Employment of Ward Staff**

Review of records revealed that the County Assembly had in place one hundred and thirty-six (136) ward employees in contravention of circular Ref. No. CRA/COS/CMG/9/Vol.V (43) of 3 August, 2020 which provides that each of the thirty-six (36) Members of the County Assembly are allowed to employ a maximum number of three employees each giving a total expected ward employees of one hundred and eight (108). This resulted to over employment of twenty-eight (28) ward employees.

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

## **7. Lack of Needs Assessment**

The statements of receipt and payments reflects use of goods and services amount of Kshs.322,579,589. Included in the amount is training expenses totaling Kshs.35,828,549 incurred without a training needs assessment or identification of skill gaps in breach of the County Assembly's Human Resource Manual requirements.

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

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 procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **Ineffective Internal Controls on Voided Payments**

Review of the County Assembly IFMIS records provided for audit revealed that payments amounting to Kshs.131,293,869 were made in the system to support funding from the County Revenue Fund but were subsequently voided. However, a list of persons paid, services or goods rendered, approvals and the reasons for voiding in supports of the payments were not provided for audit.

In the circumstances, it was not possible to confirm whether the internal controls relating to voided payments were effective during the period under review.

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 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 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the ability of the County Assembly's 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 the intention to dissolve the County Assembly 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 Assembly'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 controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of 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 Assembly'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 Assembly 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 Assembly 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**