REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF NAIROBI CITY 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 the 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

Adverse Opinion

I have audited the accompanying financial statements of County Assembly of Nairobi City set out on pages 1 to 28, 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 the 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of the County Assembly of Nairobi City as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Cash Basis) and do not comply with the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

1.1 Inconsistencies in Statement of Comparison of Budget and Actual Amounts

Review of the statement of comparison of budget and actual amounts - recurrent and development revealed the following inconsistencies:

i) The statement reflects final expenditure budget amount of Kshs.1,461,050,991 which is at variance with the recalculated cumulative amount of Kshs.1,533,005,144 made up of Kshs.1,476,975,144 and Kshs.56,030,000 for recurrent and development respectively.

ii) The statement reflects final receipts and expenditure budget amounts of Kshs.1,598,872,087 and Kshs.1,461,050,991 respectively, resulting in a surplus of Kshs.137,821,096. However, the statement reflects final receipts and recalculated expenditure budget of Kshs.1,545,872,087 and Kshs.1,461,887,934 respectively, resulting in accumulative surplus of Kshs.83,984,153.

iii) The statement reflects final budget for acquisition of assets amount of Kshs.56,030,000 whereas recasting across reflects a credit amount of Kshs.1,452,460,000.

iv) The statement also reflects under actual receipts adjustments during the year and other receipts amount of Kshs.100,460 and Kshs.66,418,507, respectively which were not in the budget. Management did not provide any evidence on what the adjustment related to and approval for utilization of the unbudgeted receipts. Further, the other receipts amount of Kshs.66,418,507 is at variance with the amount of Kshs.110,283,000 reflected in Note 19 to the Nairobi County Assembly Car and Mortgage financial statements resulting in an unreconciled and unexplained variance of Kshs.43,864,493. Although Management has indicated through an under adjustments of the car and mortgage financial statements that the borrowings were paid, no evidence of the same was provided for audit.

v) The statement reflects final receipts and expenditure budget amounts of Kshs.53,000,000 and Kshs.56,030,000, resulting in a deficit of Kshs.3,303,000.

vi) The statement reflects final expenditure budget and actual amounts of Kshs.1,476,975,144 and Kshs.1,369,586,076, respectively while the Integrated Financial Management System (IFMIS) records reflected sums of approved budget and cumulative expenditure amounts of Kshs.1,545,872,087 and

Kshs.1,139,739,249, resulting to an unreconciled variances amounting to Kshs.68,896,943 and Kshs.229,846,827, respectively.

Further, the recurrent and development budget and actual amounts reflects final budget and actual expenditure amounts of Kshs.1,461,050,991 and Kshs.1,369,586,076 respectively. However, the budget execution by programmes and sub programmes statement reflects final budget and actual expenditure amounts of Kshs.1,598,872,114 and Kshs.1,156,746,988 resulting to unreconciled variances of Kshs.137,821,123 and Kshs.215,839,088 respectively.

In the circumstances, the accuracy of the statement of comparison of budget and actual amounts could not be confirmed.

1.2 Unsupported Prior Year Adjustments

The statement of financial assets and liabilities reflects prior year adjustment amounting to Kshs.260,938,014 and a brought forward balance of Kshs.34,381,518. However, no explanation was provided by Management in support of the prior year adjustments.

In the circumstances, the accuracy of the statement of financial assets and liabilities could not be confirmed.

1.3 Variances Between the Financial Statements and Supporting Records

1.3.1 Variance Between the Financial Statements and the Trial Balance

Comparison of the financial statements with the trial balance revealed unexplained and unreconciled amounts on several corresponding items as detailed below;

Description	Financial Statements (Kshs.)	Trial Balance (Kshs.)	Variance (Kshs.)
Exchequer Releases	1,303,094,100	1,302,938,136	155,964
Domestic Travel	232,676,772	220,634,208	12,042,563
Other Operating Expenses	23,450,139	35,492,701	(12,042,562)
Government Imprests	260,561,487	261,083,487	(522,000)
Purchase of Transport Equipment	0	27,797,400	(27,797,400)
Purchase of Specialized Plant, Software and Other ICT Assets	0	15,500,772	(15,500,772)
Purchase of Office Furniture and General Equipment	0	107,787	(107,787)

1.3.2 Variances Between the Financial Statements and Ledgers

Further, review of the financial statements and the ledger revealed the following unreconciled amounts against corresponding items.

Description	Financial Statements (Kshs.)	Ledger (Kshs.)	Variance (Kshs.)
Exchequer Receipts	1,303,094,100	155,964	1,302,938,136
Domestic Travel	232,676,772	12,042,564	220,634,208
Printing	7,702,407	4,554,957	3,147,450
Office and General Supplies	30,295,058	20,121,210	10,173,848
Other Operating Expenses	23,450,139	532,879	22,917,260

1.3.3 Unsupported Expenditure

In addition, review of records for payments amounting to Kshs.1,597,218,476 in the financial statements while payment voucher provided in support of the expenditure amounted to Kshs.1,576,488,788 resulting in an unsupported balance of Kshs.20,729,688.

Description	Financial Statements (Kshs.)	Payment Vouchers (Kshs.)	Variance (Kshs.)
Exchequer Receipts	1,303,094,100	1,302,938,136	155,964
Domestic Travel	232,676,772	220,634,208	12,042,564
Printing	7,702,407	3,147,450	4,554,957
Office and General Supplies	30,295,058	10,173,847	20,121,211
Other Operating Expenses	23,450,139	22,917,260	532,879
Hospitality, Supplies and Services	0	6,530,437	(6,530,437)
Total	**1,597,218,476**	**1,576,488,788**	

In the absence of reconciliation between the two sets of records, the accuracy of the financial statements could not be confirmed.

2. Unsupported and Unauthorized Compensation of Employees Expenditure

The statement of receipts and payments reflects compensation of employee expenditure amounting to Kshs.797,363,561. However, the following anomalies were noted;

i) Note 4 to the financial statements reflects a total of Kshs.853,749,425 resulting in an unexplained variance of Kshs.56,385,864.

ii) The amount of Kshs.797,363,561 differs with the amount of Kshs.771,525,782 reflected in the payroll**,** resulting in an unexplained variance of Kshs.25,837,779. Further, the payroll amount of Kshs. 771,525,782, differed with total amount of Kshs.774,076,621 reflected in the payment vouchers, resulting in an unexplained and unreconciled variance of Kshs.2,550,839.

iii) Comparison of the financial statements and the payroll analysis revealed an unexplained and unreconciled variances as detailed below;

Description	Financial Statement (Kshs.)	Payroll (Kshs.)	Variance (Kshs.)
Basic Salaries MCAs and Contractual Employees	476,940,444	477,107,666	167,221
Personal Allowances Paid as part of Salary	266,656,545	227,036,781	39,619,764

iv) The payment vouchers on compensation of employees totalled Kshs.774,076,621, resulting to an unreconciled variance of Kshs.23,286,940**.**

v) Note 4 to the financial statements reflects basic salaries of permanent employees totalling to Kshs.392,216,113 which is at variance with the salary bank account amount of Kshs.394,473,648, resulting in an unreconciled variance of Kshs.2,275,535. Further, the amount also varies with the IFMIS cumulative basic amount of Kshs.369,341,845 resulting to in unreconciled amount of Kshs.22,874,268.

vi) Management overpaid staff members and Members of the County Assembly by Kshs.4,554,747. No explanation was provided for payment of salaries over and above the required net salary.

Further, comparison of the number of staff members in the payroll and the monthly staff list revealed inconsistencies

vii) Management paid allowances to staff and Members of the County Assembly at a higher grade of job group P instead of job group N resulting in over payment of an amount totalling to Kshs.7,455,800.

In the circumstances, the regularity and accuracy of the compensation of employee’s expenditure amounting to Kshs.797,363,561 could not be confirmed.

3. Undisclosed Contingent Liabilities

The statements of assets and liabilities reflects contingent liabilities of Nil balance as disclosed in Note 7 of other disclosures to the financial statements. However, review of records maintained in Nairobi City County Executive Legal Department revealed a suit lodged by a citizen indicating an irregular increase of the budget.

However, Management did not disclose the contingent liability in the financial statements.

In the circumstances, the fair presentation and disclosure of the financial statements could not be confirmed.

4. Unsupported Use of Goods and Services

The statement of receipts and payments and as disclosed in Note 5 to the financial statements reflects use of goods and services amount of Kshs.515,807,938. The following observations were made:

4.1 Irregular Procurement of Conference Facilities and Air Tickets

The Management procured various conference facilities and air tickets through requests for quotations totalling to Kshs.5,345,750 and Kshs.914,880, respectively. However, only one bidder in each award responded instead of at least three as required by the law.

4.2 Domestic and Foreign Travel and Subsistence

The statement of receipts and payments reflects domestic and foreign travel and subsistence expenditure of Kshs.232,676,772 and Kshs.94,389,615 respectively. However, expenditure totalling to Kshs.55,561,463 comprising of Kshs.31,024,950 and Kshs.24,536,513 in respect of foreign and domestic travel respectively, was not supported with payment vouchers, approvals and travel passes.

Further, domestic travel and subsistence includes expenditure totalling to Kshs.10,830,848, for which no evidence was provided to confirm that the officers travelled to various destinations, request and surrender of imprest done.

Similarly, the foreign travel and subsistence expenditure of Kshs.94,389,615 travel clearance approval was not provided for audit.

In addition, Management paid accommodation and domestic travelling allowances totalling to Kshs.22,484,183 to Nairobi City County Assembly whose recipients were not disclosed.

4.3 Routine Maintenance of Other Assets

The expenditure includes routine maintenance of other assets expenditure which further included an amount of Kshs.696,039 which was not supported with payment documents, requisition, inspection certificates.

4.4 Inaccuracies in Legal Payments

This expenditure excludes legal, arbitration and compensation fees amount of Kshs.68,960,112 paid during the year, as reflected in expenditure records. However, payment vouchers amounting to Kshs.28,138,268 in support of the expenditure were not provided for audit. Similarly, the payments vouchers provided for audit totalling to Kshs.40,821,844 in respect of interim and final fee notes for various advocates were not supported.

In addition, review of the final approved budget revealed that an amount of Kshs.61,222,778 was allocated for legal fees, arbitration and compensation. However, Management spent an amount of Kshs.68,960,112, resulting in unauthorized over expenditure of Kshs.7,737, 334.

4.5 Irregular Payment of Subscriptions

The expenditure includes an amount of Kshs.1,500,000 paid as annual subscriptions to the Society of Clerks at the Table (SOCATT). However, there was no evidence that the expenditure was included in approved budget as required for by Regulations 26(4), 31(e)(ii) and 36(4) of the Public Finance Management (County Governments)

Regulations, 2015 or justification for the payment since the beneficiary organization is not anchored in law.

4.6 Rental of Produced Assets

The expenditure includes other rentals of produced assets of Kshs.10,263,800 in respect of offices to the eighty-five (85) County Assembly ward offices. However, review of the IFMIS payment details revealed an amount of Kshs.14,378,422 defined as constituency expenses, resulting in unreconciled amount of Kshs.4,114,622.

In the circumstances, the regularity, accuracy and completeness of use of goods and services expenditure totalling to Kshs.515,807,938 could not be confirmed.

5. Unauthorized Borrowings

The financial statements reflect transfers from Nairobi City County Assembly Car and Mortgage Account amounting to Kshs.66,416,507, as disclosed in Note 6 on other disclosures. However, the amount differs with transfers of Kshs.32,888,660 and Kshs.24,514,966 both totalling to Kshs.57,403,626, which were reflected in the bank statements, resulting to an unexplained and unreconciled variance of Kshs.9,012,881. Further, the transfer of Kshs.24,514,966 indicated to fund salaries could not be traced in the corresponding salaries account.

In addition, Management did not explain the circumstances under which the transfers from the Fund totalling to Kshs.66,416,507, which were primarily borrowings, were accounted for as receipts.

In the circumstances, the regularity of the transferred amount of Kshs.66,416,507 could not be confirmed.

6. Unsupported Cash and Cash Equivalents

The statement of financial assets and liabilities and as disclosed in Note 13A and Note 13B to the financial statements reflects bank balances totalling to Kshs.26,991. The balance includes recurrent, development and deposit cash book balances of Kshs.288, Kshs. Nil and Kshs.17,954 respectively, which were not supported with cash books, bank reconciliations, bank confirmation certificates and bank statements. Further, the board of survey report in support of the cash and cash equivalents balance was not provided for audit.

In addition, although an amount of Kshs.1,986,892 was paid to County Assembly deposit account to cover retention, the third-party deposit account reflected a constant balance of Kshs.17,954 over the last two years.

In the circumstances, the accuracy and completeness of the cash and cash equivalents of Kshs.26,991 could not be confirmed.

7. Voided Transactions

Review of expenditure analysis obtained from Integrated Financial Management Information Systems (IFMIS) revealed 560 payment transactions with a total expenditure of Kshs.120,880,494 which had been invalidated during the year under review. However, no documentary evidence was provided to support authorization and reasons for invalidation of the transactions, which had been presented to the Controller of Budget (CoB) for approval.

In the circumstances, the regularity of the invalidated transactions could not be confirmed.

8. Unsupported Payments

Analysis of payment records revealed that 12 transactions totalling to Kshs.38,033,984 were paid but the specific line items had not been budgeted for in the respective appropriation account as required by Regulations 26 (4), 31(e)(ii) and 36 (4) of the Public Finance Management (County Governments) Regulations, 2015.

Further, included in IFMIS payment details was an expenditure of Kshs.11,231,950 made on 24 September, 2021. However, supporting documents were not provided for audit.

In the circumstances, the accuracy and regularity of the expenditure amounting to Kshs.38,033,984 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 Nairobi City County 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 audit of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse 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 reflects final receipts budget and actual on comparable basis totalling to Kshs.1,598,872,087 and Kshs.1,369,613,067 respectively, resulting to an under-funding of Kshs.229,259,020 or 14% of the budget. Similarly, the Assembly spent Kshs.1,369,586,076 against an approved budget of Kshs.1,461,050,991 resulting to an under-expenditure of Kshs.91,464,925 or 6% of the budget.

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

2. Unsupported Pending Accounts Payable

Note 1 and Note 2 of other disclosures to the financial statements reflects pending accounts payable amount of Kshs.207,300,805 and Kshs.52,274,662 in respect of supply of goods and services and staff payables respectively, both totalling to Kshs.259,575,467. However, review of Integrated Financial Management Information Systems (IFMIS) reports indicated that Nairobi City County Assembly had pending accounts payables amount of Kshs.38,363,416, resulting to in unexplained variance of Kshs.221,212,051. Further, the supporting analysis of the payables was not provided for audit.

In the circumstances, the accuracy and completeness of the pending accounts payable could not be confirmed.

3. Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Assembly financial statements do not contain a section where it indicates the status of the resolution of prior year audit issues, hence failure to adhere to the provisions of the Public Sector Accounting Standards Board prescribed reporting format and The National Treasury's Circular Ref: No. AG.4/16/3 Vol.1(11) dated 1 July, 2022, which provides for the format and contents of the financial statements.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Compliance with the Fiscal Responsibilities Provisions - Wage Bill

The County Assembly had total receipts budget of Kshs.1,303,094,100 for the year under review. The payroll statement reflects expenditure on compensation of employees of Kshs.853,749,424, which is 66% of the total revenue received by the County which was above the 35% ceiling. This was contrary to Regulation 25(1)(b) of the Public Financial Management (County Governments) Regulations, 2015, which sets the allowable ratio to 35%.

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

2. Non-remittance of Statutory Deductions

Management deducted Pay as You Earn (PAYE) of Kshs.240,622,750, National Hospital Insurance Fund (NHIF) of Kshs.8,319,700 and National Social Security Fund (NSSF) of Kshs.100,200, during the year under review. However, there was no evidence that the amounts were remitted to the respective institutions. This was contrary to Section 37(1) of the Income Tax Act which states that; an employer paying emoluments to an employee shall deduct therefrom, and account for tax thereon, to such extent and in such manner as may be prescribed.

Further, pension contributed by the employer totalling to Kshs.29,668,934 was not remitted to the Pension Fund as required by law, while Kshs.1,541,733 in respect of various private contributions made by the staff members were deferred, contrary to Section 53A(1) of the Retirement Benefits Act, 2012. The Act states that where an employer, having, with the agreement of an employee who is a member of a scheme, made a deduction from the employee's emoluments for remittance to the scheme, fails to remit the deduction within fifteen (15) days of the deduction, the scheme may, after giving such employer not less than seven days' notice, institute proceedings for the recovery of the deduction.

In the circumstances, Management was in breach of law.

3. Outstanding and Irregular Imprests

The statement of assets and liabilities reflects outstanding imprests and advances balance of Kshs.261,083,486, as disclosed in Note 14 to the financial statements. The balance comprise of outstanding imprest of Kshs.260,561,487 and advances balance of Kshs.522,000. However, Management did not explain why the imprests were not surrendered contrary to Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015, which requires a holder of temporary imprest to account or surrender the imprest within seven (7) working days after returning to duty station.

Further, imprest register provided for audit revealed that twelve (12) staff members were issued with multiple imprests totalling to Kshs.11,049,821 before they had surrendered prior imprest. In addition, the Nairobi City County Assembly and the Nairobi City County Assembly Car Loan and Mortgage Fund maintained one combined imprest register yet they prepared separate financial statements.

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, because of the significance of the matter discussed in the Basis for Adverse Opinion and in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Approved Information Technology Security Policy and Disaster Recovery Plan

Review of the Information and Communication Technology (ICT) system of the County Assembly revealed that there was no ICT Policy, Data Recovery Plan (DRP) and Information Technology (ICT) Security Policy. These are vital tools in the management of the County Assembly's ICT resources to ensure integrity and availability of data stored in its systems. In addition, Management had not installed antivirus programs in its systems and had not put up mechanisms to ensure that there was up-to-date security on all systems software.

Further, the County Assembly did not have an ICT Steering Committee to provide oversight, formulate policies and to ensure that IT department functions are in place to assist in the achievement of organizational objectives in an efficient, economic and effective manner.

Similarly, the County Assembly did not have a Disaster Recovery Plan (DRP) and had not implemented a backup and retention strategy. The Assembly also did not have backups stored in a secure offsite storage facility. Further, formal documented and tested emergency procedures were not provided for audit. The Management had no back up and retention strategy to ensure continuity of operations in case of system failure and did not conduct regular reviews on risk assessment of operational areas.

In the circumstances, existence of an effective system of Internal Control on ICT, risk management and disaster recovery could not be confirmed.

In addition, review of the Risk Management Policy provided for audit revealed that the policy was not approved.

2. Payment of Salary Outside Payroll

Payment totalling to Kshs.2,027,418 relating to basic salaries were made outside the salary processing account whose recipients could not be confirmed. No explanation was provided for this anomalies. This contravened to Regulation 104 (1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that all receipts and payment vouchers of public moneys shall be supported by pre-numbered receipt and payment vouchers and shall be supported by the appropriate authority and documentation.

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

3. Lack of an Updated Fixed Assets Register

Annex 4 to the financial statements reflects property, plant and equipment (PPE) with Nil net book value as at 30 June, 2022. Review of the PPE records and physical verification revealed that the County Assembly has various assets in its custody, whose details were not included in an updated fixed asset register, in support the balances reflected in the financial statements.

In the circumstances, existence of effective internal control measures on assets could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the 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 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 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 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 Assembly to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 April, 2023