REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF NYERI FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the County Executive of Nyeri set out on pages 1 to 39, which comprise the statement of assets and liabilities as at 30 June, 2019, and the statement of receipts and payments, statement of cash flows, summary statements of appropriation - recurrent and development 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 effects 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 Nyeri as at 30 June, 2019, 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. Unconfirmed Salary Expenditures

The statement of receipts and payments for the year ended 30 June, 2019 reflects expenditure totalling Kshs.3,362,515,059 incurred on compensation of employees. However, examination of payroll records indicated that salaries totalling Kshs.366,305,348 were paid to 872 employees who were not included in the Integrated Payroll and Personnel Database (IPPD) system. The payees included Early Childhood Development teachers, interns, staff without payroll numbers and those owed outstanding salaries.

Management did not provide any plausible explanation for failing to include the staff in the approved IPPD payroll system. In addition, sufficient records were not presented for audit to confirm that the payees were bona fide employees of the County Government, and had earned all the monies paid to them.

In view of the anomaly, the occurrence and validity of the expenditure totalling Kshs.3,362,515,059 paid outside the IPPD have not been confirmed.

2. Unsupported Transfers to Youth Polytechnics

The statement of receipts and payments for the year ended 30 June, 2019 reflects other grants and transfers expenditure totalling Kshs.555,980,483, as further disclosed in Note

15 to the financial statements. The expenditure includes other current transfers, grants and subsidies totalling Kshs.49,072,068 which in turn include Kshs.42,631,848 capitation and conditional grants remitted to youth polytechnics in the County. However, a review of the respective records revealed the following anomalies:

i. transfers totalling Kshs.9,421,848 to eight (8) polytechnics were not supported by receipts or letters from the institutions acknowledging receipt of the funds.

ii. expenditure returns including delivery notes, invoices and tender documents for the expenditures incurred against the grants were not availed for audit review; and

iii. no requisitions or bills of quantities from the polytechnics were presented for audit review to confirm use of grants totalling Kshs.9,076,848 earmarked for refurbishment of old buildings in the institutions. Further, an audit inspection carried out in September, 2019 confirmed that none of the funded refurbishment projects was implemented.

Consequently, receipt of all the grants by the reported beneficiaries and accuracy of expenditures totalling Kshs.42,631,848 shown in the financial statements as having been incurred in respect of the transfers to youth polytechnics during the year under review have not been confirmed.

3. Unconfirmed Valuation of Assets

Disclosed under Annex 5 to the financial statements is a summary of fixed assets that shows assets valued at Kshs.1,541,784,462 as at 30 June, 2019 after additions valued at Kshs.1,237,880,466 were made during the year under review. However, Management did not present an updated fixed asset register for audit. Further, the Kshs.1,541,784,462 balance does not include assets inherited from the defunct Local Authorities in Nyeri County. Further, the values of the assets have not been disclosed in other records of the County Executive.

In view of these anomalies, the accuracy and completeness of the fixed assets balance amounting to Kshs.1,541,784,462 reflected in the summary of fixed assets has not been confirmed, and further the nature and value of fixed assets held by the County Executive as at 30 June, 2019 have not been confirmed.

4. Unconfirmed Pending Bills

Disclosed under Annexure 4 to the financial statements is a summary that reflects pending bills totalling Kshs.61,686,531 that were outstanding as at 30 June, 2019. However, a detailed schedule presented for audit review reflected unpaid bills totalling Kshs.56,791,459, resulting in an unexplained difference of Kshs.4,895,072 between the two sets of records.

In the circumstance, the accuracy of the pending bills totalling Kshs.61,686,531 disclosed in Annexure 4 to the financial statements has not been confirmed.

5. Unconfirmed Imprest Expenditures on Training of County Health Management Team

The statement of receipts and payments for the year ended 30 June, 2019 reflects other grants and transfers totalling Kshs.555,980,483 incurred during the year. The balance includes Kshs.74,383,348 transferred to the County Health Management Team (CHMT) operations bank account. Available records indicate that imprests totalling Kshs.8,664,000 were paid out from the account to eight officers to co-ordinate training of community health volunteers in each of the eight Nyeri Sub-counties. However, the following anomalies were noted in respect to the payments:

i. there was no evidence of elaborate criteria having been used to select participants to the program among the various registered volunteers;

ii. there were no copies of invitation letters or any other form of notices to selected participants and therefore it was not clear how the volunteers were invited for the trainings; if at all, and

iii. out of the imprests totalling Kshs.8,664,000, only Kshs.1,686,000 was surrendered and accounted for. Records showing how the balance amounting to Kshs.6,978,000 was spent were not submitted for audit.

In the absence of relevant evidence, the occurrence and validity of the expenditure totalling Kshs.6,978,000 incurred through imprests and included in the other grants and transfers totalling Kshs.555,980,483 reflected in the statement of receipts and payments for the year under review has not been confirmed.

6. Unconfirmed Revenue Collections

6.1 Un-surrendered Receipts Books

During the year under review, the County realized revenue amounting to Kshs.34,168,978 from markets and trade centres. However, a review of revenue records and counterfoil receipt book registers revealed un-surrendered receipt books issued in 2015 estimated to have collected revenues totalling Kshs.5,748,000. Further, Sub-County Revenue Collectors were issued with new receipt books despite failure to surrender previous ones. This pointed to weak internal control over collection and accounting for revenue.

6.2 Irregular Hospital Fee Waiver Criteria

During the financial year under review, the County's hospitals waived medical bills totalling Kshs.13,373,403. Waivers of hospital fees are allowed under the County Waivers Administration Guidelines, 2015. Paragraph 5(2)(d) of the guidelines provides that only students who are away from home with no funds of their own, patients with chronic illnesses and who have spent their money to travel long distances to reach the health facilities would be granted fee waivers. However, a review of hospital fee waiver lists revealed other considerations for waivers such as being unmarried, among other unauthorized criteria, were evoked to allow some patients not to pay fees due.

This may have led to abuse of the waiver system by those charged with the responsible for its administration.

In view of these anomalies, the accuracy and completeness of the County own -generated receipts totalling Kshs.837,394,937 reflected in the statement of receipts and payments for the year ended 30 June, 2019 has not been confirmed.

7. Non-Disclosure of Arrears of Revenue

Examination of rates and rent records showed that the county had arrears of uncollected revenue totalling Kshs.2,835,484,917 as at 30 June, 2019. However, the balance is not disclosed in the financial statements for the year under review.

Consequently, the financial statements do not reflect the true financial position of the County Executive as at 30 June, 2019.

8. Undelivered Vaccine Supplies

Available records indicated that during the financial year under review, the Department of Agriculture, Livestock, Fisheries and Co-operatives purchased various vaccines from the Kenya Veterinary and Vaccine Production Institute (KEVEVAPI). However, examination of records on the procurements indicated that in some instances new orders for the same items were placed before previous ones were delivered. Further, the vaccines were paid for in advance, contrary to procurement regulations. As a result, funds that could otherwise have been used for other supplies were tied up in procurement of items that were not delivered for use.

A statement from the supplier dated 02 September, 2019, indicated that the Department had not received vaccines worth Kshs.9,573,195 as at 30 June, 2019 even though some of the orders were placed in the financial year 2017/2018 and earlier years. No satisfactory explanation has been provided by Management for the misapplication of resources and failure to compel the supplier to deliver the items bought in previous financial years.

Consequently, the validity and propriety of the payments totalling Kshs.9,573,195 have not been confirmed.

9. Unsupported Expenditure on Supply of Fish Cages

During the year under review, the Department of Agriculture, Livestock, Fisheries and Co-operative procured fish cages at a cost of Kshs.2,589,300. The supplies were issued to various farmers in self-help groups. However, the Management did not provide documentary evidence indicating how the beneficiaries were selected. Further, follow up reports by Management did not identify the farmers, their fish ponds and the outputs derived from the programme.

As a result, the occurrence and validity of the expenditure totalling Kshs.2,589,300 reported to have been incurred in procuring fish cages for farmers have not been confirmed.

10. Unsupported Supply of Drugs and Non-Pharmaceutical Items

During the year under review, the County Executive procured drugs and non-pharmaceutical items worth Kshs.56,428,005 from a supplier. However, no written contract agreement was signed between the County Executive and the vendor. Further, delivery notes for supplies to various health facilities were not presented for audit. As a result, it was not possible to trace and confirm the specific items of drugs and other medical supplies delivered to the facilities, if any.

The expenditure records further indicated that the County Executive placed an order for medical supplies worth Kshs.21,828,733 during the year under review. Payments made in respect to the order totaled Kshs.18,724,985. However, only supplies worth Kshs.14,436,447 were supported with delivery notes and details of the health facilities the drugs were delivered to. Therefore, the supply and receipt by medical facilities of the balance of items worth Kshs.4,288,538 could not be confirmed. As a result, the occurrence and validity of the medical supplies expenditure totalling Kshs.4,288,538 have not been confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Executive of Nyeri 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. Except for the matters described in the Basis for Qualified Opinion section of my report, have determined that there are no other key audit matters to communicate in my report.

Other Matter

Budget Performance – Under Absorption of Funds and Low Development Vote Spending

The final budget for the County Executive of Nyeri for the year under review amounted Kshs.8,836,544,070 comprised of Kshs.5,975,852,999 (67.6%) recurrent expenditure and Kshs.2,860,691,071 (32.4%) development expenditure. The County Executive incurred development vote budget expenditure totalling Kshs.1,905,746,532 and recurrent vote expenditure totalling Kshs.5,559,187,885. Therefore, the budget absorption rates were equivalent to 67% and 93% of the respective budgets.

Further, actual expenditure totalling Kshs.1,905,746,532 incurred on the development budget was equivalent to 26% of the aggregate expenditures incurred on the two Votes. Management therefore did not comply with Section 107(1) (b) of the Public Finance

Management Act, 2012 which prescribes a minimum of 30% of aggregate expenditure to be allocated to the development vote.

No plausible explanation has been provided by Management for the failure to adhere to legal expenditure guidelines.

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 Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections 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.

1. Basis for ConclusionCompensation of Employees

2.1 High Wage Bill

The statement of receipts and payments for the year ended 30 June, 2019 reflects compensation of employees' expenditure totalling Kshs.3,362,515,059 (2017/2018-Kshs.3,154,347,462) which represents 39.4% of the total receipts for the year Kshs.8,540,162,978. As a result, the County Executive, contravened Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, which caps County Government expenditure on wages and benefits for public officers at 35% of total county revenue.

The high wage bill resulted in a large share of the County's resources being spent on staff salaries at the expense of service delivery and development projects for the residents of Nyeri County.

2.2 Employees Sharing Identical Bank Account Numbers

Examination of payroll records for the year under review revealed that three sets of employees totalling six (6) in number shared identical bank account numbers.

Management did not provide any plausible explanation for the peculiar occurrence. As a result, the propriety of the salaries and other emoluments and allowances paid to the six employees could not be confirmed.

2.3 Non-Compliance with the One Third Basic Pay Rule

Examination of payrolls indicated that during the year under review, net salaries paid to seventy-two (72) officers of the County Executive were less than one third ($^1/_3$) of their respective basic pay. The anomaly was caused by excessive non-statutory deductions made contrary to the applicable Human Resource Policy in the Public Service and the County Human Resource Manual. Both prohibit salary deductions that exceed two thirds ($^2/_3$) of the monthly basic salary of any public employee.

No plausible explanation has been provided by Management for this irregular action that put the Officers at the risk of pecuniary embarrassment.

2. Irregular Payment of Rent for Council of Governors Office

During the year under review, the County Executive paid Kshs.3,698,242 as contribution to rental payments for Council of Governors liaison offices located at Westlands, Nairobi.

However, the payment was made contrary to Section 37 of the Inter-Governmental Relations Act, 2012 which provides that operational expenses for the structures and institutions established by the Act shall be provided for in the annual estimates of the revenue and expenditure of the National Government.

No plausible explanation has been provided by Management for the irregular action.

3. Acquisition of Assets

4.1 Unutilized Markets

During the year under review, the County Executive spent Kshs.408,256,514 on construction and civil works as disclosed in Note 17 to the financial statements. Included in the expenditure were costs totalling Kshs.7,830,714 incurred on construction of two markets at Nyaribo (Kshs.3,801,454) and Kamakwa (Kshs.4,029,260).

Records made available for audit indicated that the two projects were completed in the financial year under review but were not put to use. It is, therefore, not clear whether Management carried out public participation on the need for and suitable locations for the markets before the project was started.

As a result, no value has been obtained by the residents of Nyeri County from the sum of Kshs.7,830,714 invested in building the two markets.

4.2 Un-executed Works - Gravelling and Drainage Works at Nyewasco-Itara-Mumbi Road

Note 17 to the financial statements under acquisition of assets indicates that the County Executive incurred Kshs.536,724,656 on construction of roads during the year under review. Included in the expenditure is Kshs.6,876,912 paid to a firm for the construction of Nyewasco-Itara-Mumbi road. Records presented for audit indicated that, out of the nineteen (19) bids received for gravelling the road, eighteen (18) proceeded to technical evaluation, out of which fourteen (14) qualified for financial evaluation. The tender was awarded to the second lowest qualified bidder at a contract price of Kshs.14,623,186.

However, audit inspection of the works in October, 2019 revealed that although the Bills of Quantities (BOQs) had provision for culverts and drainage works costing Kshs.2,991,800, these were not done even in areas where all other works had been completed.

No plausible explanation has been provided by Management for the omission of the culverts and drainage works.

4.3 Low Quality Workmanship on PGH Mortuary Road

Included in the expenditure totalling Kshs.536,724,656 incurred on road construction and rehabilitation during the year under review was Kshs.15,874,522 spent on rehabilitation of PGH - Mortuary road. A site inspection carried out in September, 2019 revealed that the works were still in progress but the following unsatisfactory issues were noted:

i. drainage works done had cracks on the sides, an indication of poor quality workmanship;

ii. the storm water drains and road shoulders were not done and this omission weakened the road base;

iii. the bituminous layer was rough, rugged and rutted with an irregular surface suggesting that proper levelling was not done; and

iv. the edge channels on some parts of the road were not done.

No plausible explanation was provided by Management for these anomalies. As a result, it is doubtful that the residents of Nyeri County will obtain fair value for the money spent on the project.

4.4 Delay in Project Implementation

During the year under review, the County Executive incurred expenditure totalling Kshs.50,562,036 on refurbishment of buildings as disclosed in Note 17 to the financial statements.

Examination of expenditure records revealed that several suppliers were awarded contracts totalling Kshs.49,661,536 for construction and refurbishment of various buildings during the year under review.

Although the works were expected to be completed within four months of award of the respective contracts, an audit inspection carried out in September, 2019, revealed that most of the projects were incomplete. Management did not provide satisfactory explanations for the delays.

As a result of the delays, the benefits expected to be derived by the residents of Nyeri County from the investments totalling Kshs.49,661,536 made in the projects were not realized.

4.5 Unutilized Water Pipes

Available records indicated that during the year under review, the County Executive spent Kshs.4,096,870 on purchase of water pipes for use by the Narumoru Water and Sanitation Company Limited.

However, an audit inspection carried out in September, 2019 revealed that the water pipes were not put to use but were left exposed to damage by the elements, and were prone to vandalism as well. Management did not provide a satisfactory explanation for failure to put the pipes to their intended use.

5. Poor Workmanship in Construction Projects

5.1 Construction of Ngorano Technical Workshop

During the year under review, the County Government commenced the construction of Ngorano Youth Polytechnic at a cost of Kshs.3,782,319. At the time of audit in September, 2019, the works were ongoing. However, some of the walls to the buildings had wide cracks, which suggested that the workmanship was of poor quality.

There was no evidence of remedial action taken by the Management to rectify the works in order to protect the students from injuries and secure public funds invested in the project.

5.2 Construction of Rodama ECDE

Similarly, audit inspection of construction works for Rodama Early Childhood Development Education (ECDE) Centre on which 1,475,270 was spent during the year under review revealed cracks on classroom walls and floors as well as poor wall finishes and plastering. This indicated that the workmanship was of poor quality and further suggested that the works were not supervised in an effective way.

Management did not provide any plausible explanation for the anomaly.

In the circumstance, value for money is unlikely to be obtained from the expenditure amounting to Kshs.1,475,270 incurred on the project.

6. Un-surrendered Imprests

Disclosed in Note 22 to the financial statements are accounts receivables - outstanding imprests balance of Kshs.19,960,734 as at 30 June, 2019. Available records indicated that all the imprests ought to have been surrendered on or before 30 June, 2019. However, they remained outstanding after their due dates of surrender, contrary to the provisions of Regulation 93 (5) of the Public Finance Management (County Governments) Regulation, 2015 which requires temporary imprest holders to account for or surrender imprests within seven days after returning to their duty stations. Further, Management breached Regulations 93(6) by failing to recover the outstanding imprests from the salaries of the defaulters.

7. Delayed Completion of Valuation Roll

During the financial year under review, the Department of Lands, Housing, Physical Planning and Urbanization procured consultancy services for the Valuation Roll, 2019. Fourteen (14) bids were received and evaluated out of which only six (6) qualified for request for proposals (RFP) stage. The contract was finally awarded to a valuer at a cost of Kshs.25,334,400.

The contract was to run for twelve (12) months from 10 May, 2018 up to the time all objections on the Roll would be resolved and its approval granted by the County Executive Committee. However, some residents raised objections citing lack of civic education and public participation prior to the launch of the valuation exercise, as required under Article 201 of the Constitution. As of August, 2019, Management had not appointed members of the Valuation Court or resolved the objections.

As a result of these omissions, the purpose of the valuation commissioned at a cost of Kshs.25,334,400 may not be attained in time, if at all.

Management have not provided satisfactory explanations for this state of affairs, or disclosed the actions that will be taken ensure the Valuation Roll is completed and put to use.

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 Qualified Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections 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

Insufficient Information Technology System Controls

A review of the control and governance processes applied by the County Executive in its Information Technology (IT) operations revealed the following weaknesses:

i. Lack of Information Technology (IT) Strategy Committee and an IT Steering Committee, both of which are important aspects of the County Executive's governance structure;

ii. failure to develop IT Security Policy to ensure data confidentiality, integrity and availability: There is no clarity on the ways and means to maintain information security across the County administration to safeguard its information assets;

iii. absence of policy to manage upgrades made to all financial and performance information systems, except those owned by The National Treasury. Therefore, unauthorized changes may be made to the systems and this may lead to loss of data and information, and lack of data integrity;

iv. inadequate user-knowledge by the staff operating the procurement software module;

v. lack of policies to control physical access to IT environments. This could result in unauthorized interference in the IT assets;

vi. there are no disaster management and recovery policies in place including fire suppression systems. As a result, the risk of the County Executive's IT assets and other operations not recovering from disasters is high;

vii. there is no business continuity plan, including IT continuity plan with an off-site back-up component; and

viii. there are no user management standards and procedures in the county. As a result, staff do not have standard procedures to follow in order to minimize risk of errors, fraud and the loss of data or its integrity.

These weaknesses have raised the risk of County Executive's IT system being disrupted or failing on occurrence of unforeseen events.

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 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the ability of County Executive 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 Executive or 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 financial reporting process, reviewing the effectiveness of how the County Executive 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 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 ability of the County Executive 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 not 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 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Nancy Gathungu
AUDITOR-GENERAL

Nairobi

12 November, 2020