REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

COUNTY EXECUTIVE OF MARSABIT

FOR THE YEAR ENDED 30 JUNE, 2024

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Enhancing Accountability

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF MARSABIT FOR THE YEAR ENDED 30 JUNE, 2024

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 the Government achieves value for money and that such funds are applied for intended purpose.

C. Report on the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Executive of Marsabit set out on pages 1 to 44, which comprise the statement of assets and liabilities as at

iii. The County Executive lost the case and was ordered by the Court to pay the damages claimed by the plaintiff of Kshs.1,028,000 together with the suit's cost. This resulted in a total expenditure of Kshs.4,328,000, including Kshs.3,300,000 in legal fees, leading to potential loss of public funds.

In the circumstances, the accuracy and value for money for the Kshs.4,328,000 paid in legal fees and compensation for damages could not be confirmed.

3. Irregular Motor Vehicle Insurance Payments

The statement of receipts and payments and as disclosed in Note 4 to the financial statements reflects an amount of Kshs.678,584,764 in respect of use of goods and services which includes Kshs.62,203,203 in respect to insurance costs which further includes expenditure of Kshs.16,561,854 paid for motor vehicle insurance cover in the year under review. However, the following anomalies issues were observed:

i. Records indicate that fifty-two (52) motor vehicles valued at Kshs.134,000,000 were included in the list of the County's list of insured vehicles. However, the reviewed records showed that the vehicles were either grounded or unserviceable during the insured period. Despite this, the County Executive irregularly paid a premium of Kshs.4,119,301. This was contrary to Article 201(d) of the constitution of Kenya 2010 which provides that public money shall be used in a prudent, economical and responsible way.

ii. In addition, the list of insured motor vehicles included six (6) motor vehicles bearing duplicate registration numbers, valued at Kshs.18,600,000. These vehicles were insured as separate entities, resulting in an irregular double insurance premium of Kshs.558,000.

In the circumstances, the accuracy and regularity of the Kshs.16,561,854 spent on motor vehicle insurance could not be confirmed.

4. Irregular Payment of Special House Allowances

The statement of receipts and payments and as disclosed in Note 3 to the financial statements reflects an amount of Kshs.3,007,441,497 in respect of compensation of employees which includes an amount of Kshs.59,808,307 personal allowances paid as part of salary. This component further includes an amount of Kshs.1,162,080 paid as special house allowance during the year to twenty (20) county employees hired after 10 December, 2014 when the terms and conditions of service in the Public Service had been determined by the Salaries and Remuneration Commission Circular Ref. No SRC/ADM/1/13 Vol. III (126) of 10 December, 2014 which did not permit the payment of the special house allowances.

In the circumstances, the accuracy and completeness of personal allowances paid as part of salary totalling Kshs.59,808,307 could not be confirmed.

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In the circumstances, the accuracy and completeness of personal allowances paid as part of salary totalling Kshs.59,808,307 could not be confirmed.

5. Misclassification of Expenditure

5.1 Other Operating Expenses

Note 4 to the financial statement reflects an amount of Kshs.678,584,764 in respect to use of goods and services which includes an amount of Kshs.57,316,824 in respect to other operating expenses. However, an amount of Kshs.7,937,309 was paid to staff members in respect of domestic travel and subsistence allowances but was charged to operating expenses. This was contrary to Section 154 (2) of the Public Finance Management Act, 2012, which states that an accounting officer for a county government entity may reallocate funds between programs, or between sub-votes, in the budget for a financial year, but only if provisions made in the budget of a program or sub-vote are available and are unlikely to be used.

In the circumstances, the accuracy of other operating expenses amounting to Kshs.57,316,824 could not be confirmed.

5.2 Other Grants and Transfers

Note 7 to the financial statements reflects a total of a total of Kshs.902,201,733 in respect to transfer to other grants and transfers which includes an amount of Kshs.645,169,883 in respect to other grants and transfers. An analysis of expenditure details revealed payments of Kshs.75,216,016 in respect to payment to various suppliers but which had been charged to other grants and transfers contrary to Regulation 41 (1a) of the Public Finance Management (County Governments) Regulations, 2015 which require that aggregate reallocations for a particular appropriation line in a given fiscal year not exceed the amount appropriated for that line in the annual Appropriations Act amended from time to time through budgetary reallocations.

In the circumstances, the accuracy of other grants and transfers amounting to Kshs.645,169,883 could not be confirmed.

6. Inaccuracy in Pending Bills

Note 1 under other important disclosures reflects a total of Kshs.403,539,755 in respect to pending bills paid during the year under review. However, it was not explained why pending bills amounting to Kshs.228,456,192 brought forward from previous years were not treated as a first charge against the expenditure for the 2023-2024 financial year and paid in full. This was contrary to Section 41(2) of the Public Finance Management (County Governments) Regulations, 2015, which requires that debt service payments shall be a first charge on the County Revenue Fund.

Further, out of domestic payables from previous years totalling Kshs.403,539,755 and settled in the year under review, only domestic payables from previous years totalling Kshs.316,179,355 were confirmed as having been listed and disclosed in audited financial statement for the 2022-2023 resulting to unexplained settlement of domestic payable of Kshs.87,360,400.

In the circumstances, the accuracy, existence, and regularity of the expenditure on domestic payables from previous years could not be confirmed.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Executive of Marsabit Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Controls and Performance

The statement of comparison of budget and actual amounts for the year under review reflects final receipts budget and actual on comparable basis of Kshs.8,107,949,379 and Kshs.6,592,073,216 respectively, resulting to an under-funding of Kshs.1,196,748,306 or 15% of the budget. Similarly, the County Executive spent an amount of Kshs.6,591,995,480 against actual receipt of Kshs.6,911,201,072 resulting to an under-expenditure of Kshs.319,205,593 or 5% of the actual receipts.

The underfunding affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Prior Year Unresolved Issues

In the previous audit report several issues were raised under Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Control, Risk Management and Governance. However, although the Management has indicated that some of the issues have been resolved, the matters remained unresolved as the Senate and County Assembly have not met to deliberate on the same.

Other Information

The Management is responsible for the other information set out on page iii to xxi which comprise of Key Entity Information and Management, The Governance Statement, Foreword by the CEC Member for Finance and Economic Planning, Statement of Performance Against Predetermined Objectives, Environmental and Sustainability Reporting and the Statement of Management responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the County Executive's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

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 effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Wasteful Expenditure on Foreign Travel and Subsistence

The statement of receipts and payments and as disclosed in Note 4 to the financial statements, reflects an amount of Kshs.678,584,764 in respect to use of goods and services which includes an amount of Kshs.14,154,462 in respect to expenditure on foreign travel and subsistence allowances out of which an amount of Kshs.3,399,484 was spent on foreign travel daily subsistence allowances and air tickets for three (3) County Officers who travelled to the United Kingdom to receive three (3) used Mercedes Benz ambulances donated by a donor. However, at the time of audit, one year after the handing over ceremony for the ambulances in the UK, only one (1) ambulance had been delivered to the County Executive of Marsabit.

In the circumstances, the value for money for a total amount of Kshs.3,399,484 spent on foreign travel and subsistence allowances could not be confirmed.

2. Non-Compliance with the Fiscal Responsibility Principles on Wage Bill

The statement of receipts and payments and as disclosed in Note 3 to the financial statements reflects compensation of employees amount of Kshs.3,007,441,497 representing 44% of the total revenue received of Kshs.6,759,079,399. This was contrary to Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which states that the County Government expenditure on wages and benefits for public officers should not exceed thirty-five (35%) of the total County revenue.

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

3. Irregular Commitments for Supply of Goods and Services

Review of procurement records indicated that seventy-three (73) sets of expenditure commitments and contracts for various supplies of goods and services totalling Kshs.159,250,917 were made after 31 May, 2024 without the written approval of the Accounting Officers. This was contrary to Regulation 50(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that all commitments for the supply of goods or services shall be done not later than the 31 May each year except with the express approval of the Accounting Officer in writing.

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

4. Anomalies in Projects Implementation

4.1 Supply and Delivery of 5000 Litres Water Tanks to Households

The statement of receipts and payments and as disclosed in Note 9 to the financial statements reflects a total of Kshs.1,953,845,222 in respect to acquisition of assets which includes an amount of Kshs.443,505,099 in respect to construction and civil works. This amount further includes a total of Kshs.22,500,000 spent by the Department of Water Services on the purchase of 450 water tanks each with capacity of 5,000 litres. The tanks were distributed to individual households. However, there was no evidence of monitoring and evaluation mechanisms to assess the effectiveness of the distribution or to evaluate the initiative's impact on improving water accessibility for the community.

In the circumstances, value for money in respect of the expenditure on the purchase and distribution of the water tanks could not be confirmed.

4.2 Construction of Level 4 Hospital at Sololo-Makutano

The statement of receipts and payments and as disclosed in Note 9 to the financial statements reflects a total of Kshs.1,953,845,222 in respect of acquisition of assets which includes an amount Kshs.182,498,633 on construction of buildings. The County Executive engaged contractors for construction of Level 4 Hospital at Sololo-Makutano for a contract sum of Kshs.483,369,790. The commencement date was 1 July, 2019, while the original completion date was 25 February, 2021.

However, review of the project file and physical verification in September 2024 revealed the following:-

i. Certificate of practical completion had not been issued. The National Treasury issued directives of projects completion through treasury circular No.7/2023, reference No.ES1/03 'U' (2) dated 21/06/2023 which required the County Government to fast-track project implementation to ensure value for money and efficient use of budgetary allocations. The County Government of Marsabit failed to adhere to this Circular.

ii. As of 9 June, 2023, the amounts due for interest on delayed payments for certificate numbers IPC 7, IPC 9, IPC 10, and IPC 11 totalled Kshs.2,087,798. These interest charges, along with penalties, increased the contract price, resulting in a financial burden on public funds.

iii. Section 7.9 of the Subcontract agreement stipulates that the subcontractor shall execute the works diligently within the extended contract period. However, there were no documentary evidence to show the planned activities that were supposed to be executed in the agreed contract extension period.

iv. The contract price, initially set at Kshs.483,363,790, was revised upwards to Kshs.534,767,978, creating a variation of Kshs.51,398,188, but no justification for this price increase was provided.

v. The net variation raised by the contractor vide a letter dated 11 September, 2023 attaching valuation of the bills of quantities which amounted to Kshs.131,854,924 and interest on delayed payments of Kshs.2,087,789 both totaling to Kshs.133,942,713. This led discrepancies in the cost estimates, with differences of Kshs.53,575,435 by the Ministry of Public Works and County Quality Surveyor/ Architect amounts by Kshs.30,627,188.

vi. Section 139(4) of the Public Procurement and Assets Disposal Act (2015) requires that the quantity variation of works does not exceed twenty percent of the original contract's quantity. The contractor's claim of Kshs.133,942,713 exceeded the legal limit by 28%.

vii. The County Works Officer raised an amount of Kshs.20,000,000 in regards to contingencies, but no evidence was provided on how these funds were utilized.

In the circumstances, the value for money from the Kshs.483,369,790 could not be confirmed and the Management was in breach of law.

4.3 Irregularities in the Drilling and Equipping of New Godoma Community Borehole

The statement of receipts and payments and as disclosed in Note 9 to the financial statements reflects a total of Kshs.1,953,845,222 in respect of acquisition of assets which includes an amount of Kshs.443,505,099 on construction and civil works.

Management awarded a tender for drilling and equipping of New Godoma Community Borehole at a contract price of Kshs.4,995,000. However, the following issues were noted:

i. Management did not provide a Hydrological Assessment Report outlining the aquifers parameters, water quality evaluation, recharge impacts and geotechnical analysis of the proposed borehole.

ii. The contractor failed to provide authorization letter to drill a borehole from the Water Resources Management Authority (WRMA).

In the circumstances, the and value for money for the expenditure of Kshs.4,995,000 and the ability of the contractor to fulfill the terms of the contract could not be confirmed.

4.4 Solid Waste Management Services in Saku Central

The statement of receipts and payments and as disclosed in Note 4 to the financial statements reflects Kshs.678,584,764 in respect of use of goods and services which includes an amount Kshs.104,724,299 on specialized materials and services. The County through department of Energy, Lands and Urban Development awarded the tender to a contractor for the provision of solid waste management services in Saku Central at a cost of Kshs.17,520,800. However, the following issues were noted:

i. There was no documentary evidence provided by department of Energy, Lands and Urban Development to demonstrate the strategy for improving waste collection, material recovery and waste disposal. The audit could not ascertain the rationale behind the County Executive's decision to adopt a franchise system, which lacked supporting legislation or by-laws, to delegate waste collection and transportation to private investors while limiting the County Government's role to regulation.

ii. No documentary evidence of comprehensive assessment and appraisal conducted by the County representatives and the contractor, nor was there an inspection report in a format prescribed by the Department.

iii. Procuring entity did not submit to NEMA a project report in prescribed form for an environmental impact assessment for the nature of the service provided contrary to Chapter 3.2 of Public Procurement Oversight Committee manual for procurement and management of projects.

In the circumstances, the value for money for the Kshs.17,520,800 spent on the solid waste management services could not be confirmed.

4.5 Upgrading of Moyale Town Roads to Bitumen Standard

The statement of receipts and payments and as disclosed in Note 9 to the financial statements reflects a total of Kshs.1,953,845,222 in respect of acquisition of assets which includes an amount of Kshs.176,077,448 on construction of roads. Available records showed that the County Executive awarded tender to a contractor at a contract price of Kshs.369,253,508.40 for the upgrading of Moyale town roads to bitumen standard. During the year under review, the contractor was paid Kshs.138,126,226.10. However, the following issues were noted:

i. The Project to upgrade Moyale town roads to bitumen standard, valued at Kshs.369,253,508 started on 15 May, 2019. However, as at the date of audit on 6 September, 2024 1194 days after the project commenced, the road upgrade had not been completed and handed over. This indicates significant delay and inefficiencies and a failure to effectively manage the project based of the contract timeline.

ii. A provision of Kshs.2,200,000 was made for HIV/AIDS awareness activities in Bill number 24 of the bill of quantities. However, no evidence was provided to show the implementation of the HIV/AIDS awareness programs during the construction period.

In the circumstances, the credibility, of the actual service delivery and value for money could not be confirmed.

4.6 Stalled/ Incomplete and Unused Projects

A review of the County's Project Implementation Status and field verification done in the month of September, 2024 revealed that some County projects that were started in the previous year's ranging from the financial year 2018/2019 were either stalled/incomplete, or not in use in the year under review as tabulated below:

No	Project Name	Project Status in 2024
1	Abattoir-in Segel	Stalled and incomplete
2	LogoLogo Market	Incomplete
3	Loyangalani Market near Loyangalani Cultural Centre	Complete but not in use
4	Fish Factory in Loyangalani	Incomplete and submerged in the lake.
5	Construction of an elevated steel tank at Tigo in Turbi	Physical project could not be traced in the area. No evidence that the tank was constructed.
6	Construction of One classroom at Loyangalani Primary school	Project was complete but not in use.

In the circumstances, value for money spent on the incomplete/stalled and unused projects could not be confirmed.

5. Regularity of Procurement Processes and Procedures

5.1 Irregularities in the Procurement of Supply and Delivery of Cereals

The statement of receipts and payments and as disclosed in note 7 to the financial statements reflects a total of Kshs.902,201,733 in respect to other grants and transfers which includes an amount of Kshs.645,169,883 grants and transfers to the Departments of County Executive and Administration and ICT for drought mitigation program and resilience building in the County/pro-poor programs in the year under review. The funds were spent on procurement, supply and delivery of relief food commodities to various wards in the County together with related activities to assist the vulnerable members of the community. Records available including payment vouchers show that the County paid Kshs.476,748,120 to various suppliers for supply and delivery of cereals, pulses and miscellaneous foodstuffs under framework agreement. However, the following issues were noted:

i. There was no evidence of competitive process for identifying the suppliers from the framework agreement contrary to Section 114(3) of the Public Procurement and Asset Disposal Act, 2015. The Act requires procuring entities to use call-off orders or mini-competitions among pre-qualified suppliers under framework agreements.

ii. Analysis of the successful suppliers' details revealed that some had identical postal addresses and telephone contact numbers, raising concerns that these suppliers could be owned by the same individuals. Additionally, some listed suppliers lacked postal addresses or contact details, casting doubt on their existence and the criteria used for their selection.

iii. The County contracted a transporter to transport and deliver the foodstuffs to the wards and beneficiaries at a cost of Kshs.8,570,770. However, there was no evidence that a competitive procurement method was used to procure the transporter's services. Although the county executive stated that the procurement method used for this procurement was framework agreements, the supplier was not in the list of framework suppliers.

In the circumstances, Management was in breach of law.

5.2 Irregular Procurement of Consultancy Services for the Development and Review of County Integrated Development Plan (CIDP) 2023-2027

The statement of receipts and payments and as disclosed note 9 to the financial statements reflects a total of Kshs.1,953,845,222 in respect to acquisition of assets which includes an amount of Kshs.914,523,460 in respect to research studies, project preparation, design and supervision. The County paid an amount of Kshs.3,000,000 and Kshs.2,900,000 to a consultant for the provision of consultancy services in developing and reviewing the CIDP 2023-2027. Requests for quotation was used as the preferred procurement method for sourcing the consultant. However, the winning consultant was not in the list of prequalified lists of suppliers. This was contrary to Section 118 (1b) of the) Public Procurement and Asset Disposal Act, 2015 which requires the accounting officer of a procuring entity to invite expression of interest of consultancy services to utilize the list of prequalified suppliers.

In the circumstances, Management was in breach of law.

5.3 Irregularities in Procurement of Routine Maintenance of Motor Vehicles and Other Equipment

The statement of receipts and payments and as disclosed in Note 4 to the financial statements reflects an amount of Kshs.678,584,764 in respect of use of goods and services which includes an amount of Kshs.38,079,247 on routine maintenance of vehicles and other transport equipment's. However, a review of records provided for audit review revealed the following anomalies:

i. Pre-inspection and post inspection reports for a sample of repaired county vehicles in the year under review were not provided for audit review.

ii. Pre-inspection and post inspection reports for repaired Generators at Forolle Borehole, Bulelalesa Borehole, Adadi Borehole and Ririma Borehole were not provided for audit review.

iii. It was noted that odometer readings for a sample of vehicles were faulty.

In the circumstances, the value for money for the expenditure on maintenance of motor vehicles and equipment could not be confirmed.

5.4 Procurement of Comprehensive Staff Medical Cover

The statement of receipts and payments and as disclosed in Note 4 to the financial statements reflects a total of Kshs.678,584,764 in respect of use of goods and services which includes an amount of Kshs.62,203,203 in respect to insurance costs which further includes an amount of Kshs.47,203,203 paid for staff medical insurance cover in the year under review. Management awarded a comprehensive staff medical cover to an insurance firm for Kshs.79,811,929. However, the approved budget for staff medical insurance was Kshs.60,000,000 resulting to overspending the budget by Kshs.19,811,929. This was contrary to Section 45 (3) (a) of Public Procurement and Asset Disposal Act, 2015 which states that all procurement processes shall be within the approved budget of the procuring entity and shall be planned by the procuring entity concerned through an annual procurement plan.

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

6. Irregular Funding of National Government Functions

Review of documents showed that Management awarded a contract to a supplier to supply and deliver chairs and wooden lockers to Goro Rukesa Mixed Secondary School at a cost of Kshs.1,595,000. This expenditure, related to a National Government function, was not included in the County's approved budget for the year under review and it was charged to the expenditures on other capital grants and transfers.

Further, this payment contravenes the provisions of Section 7 and Section 16 of the Constitution of Kenya, Fourth Schedule which stipulates that primary schools, special education, secondary schools, special education institutions among others, are functions of the National Government.

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

7. Non-Compliance with Budget Formulation and Expenditure Classification Requirements

Review of the Budget formulation process revealed that although Marsabit County Appropriation Bill 2023 was assented to by the Governor on 08 December, 2023, a comparison of the Appropriation Bill with the County Fiscal Strategy Paper submitted to the County Assembly revealed that the County Secretary's and the County Attorney's Offices were not included in the approved County Fiscal Strategy Paper.

Further, development expenditure items amounting to Kshs.32,426,305 across various departments were classified and listed under recurrent expenditure in the departmental budgets. This misclassification led to an overstatement of the departmental recurrent budgets.

In addition, the development budget estimates were not program-based contrary to Regulation 30 (1c) of the Public Finance Management (County Governments) Regulations, 2015 which requires budget proposals to be submitted in the prescribed formats that support program-based budgeting and classification of expenditure in economic classes.

In the circumstances, Management was in breach of law.

8. Irregularities in the Management of County Government Vehicles and Fire Equipment

The statement of receipts and payments and as disclosed in Note 4 to the financial statements reflects a total of Kshs.678,584,764 in respect of use of goods and services which includes an amount of Kshs.38,079,247 on routine maintenance of vehicles and other transport equipment. Review of the county government's vehicle fleet, which comprises 159 vehicles, revealed the following:

i. Out of the total 159 county government's vehicles, only 55 vehicles were operational, while 57 were in a state of disrepair and 47 were grounded and unserviceable. Further, Management had not initiated the process of disposing of the unserviceable and grounded vehicles allowing further deterioration due to wear and tear.

ii. A report on recommendations for inspection and assessment of the extent of damage to the unserviceable vehicles was not followed, hindering the determination of necessary repairs. Further, fourteen (14) County vehicles were stored in private garages for extended periods exposing them to risks such as theft and vandalism. Parking fees and additional expenses from prolonged storage could result in further financial losses.

iii. There was no tracking devices and speed limiters on County vehicles hindering effective monitoring, control, and management of the vehicles. This was contrary to Section 132(2) of the Public Finance Management (County Governments) Regulations, 2015, which requires the implementation of measures for efficient, economical, and transparent use of motor vehicle assets.

iv. A fire truck was also parked at the County headquarters, un-serviced and unused for a long period. This was the only fire engine in the County, and its inactivity posed a significant risk to emergency preparedness. Further, the County had a fire department with 14 staff members as per the IPPD payroll data but there was no operational fire station or functional fire engine, rendering the staff idle and the public vulnerable in case of a fire emergency.

In the circumstances, the effective use of the county vehicles and fire assets could not be confirmed.

9. Project Implementation Status

The Project Implementation Status Report provided for audit review indicated that seventy-four (74) projects worth Kshs.286,264,407 were completed, six (6) projects worth Kshs.108,600,000 were ongoing, and seven (7) projects worth Kshs.22,100,000 had not started. However, completion status for three hundred and ten (310) projects worth Kshs.3,381,888,608 was not indicated. This may be an indication of inadequacy in project planning and control mechanisms to ensure efficient absorption of available funds.

In the circumstances, the public may not have received the expected services from the projects due to be completed.

10. Non-Compliance with the Public Sector Accounting Standards Board Requirements

Annex 8 to the financial statements reflect blank contingent liabilities register. Contingent liabilities arise from litigation in progress and or court decision against the entity which may create a financial obligation in form of fines damages or other financial obligations. However, the County did not provide documentation on concluded cases and ongoing litigations in the year under review for disclosure in the financial statements. The financial statements are non-compliant with the reporting template issued by Public Sector Accounting Standards Board (PSASB) on the disclosure of the contingent liabilities register.

In the circumstances, Management did not comply with the Board's requirements.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Failure to Maintain an Updated Fixed Assets Register

Annex 6 of the financial statements in respect of summary of non- current assets register, reflects a total of Kshs.2,983,153,611 in respect to historical cost of non-current assets. However, during the year under review, Management County did not maintain an updated, and accurate fixed asset register. In addition, it was noted that the County did not have in place an assets policy to govern, procurement, control, and disposal of its assets contrary to section 149 (2) (o) of the Public Finance Management Act, 2012.

In the circumstances, it was not possible to confirm the existence of effective measures on security use and condition of county assets.

2. Use of Manual Payroll

The statement of receipts and payments together with Note 3 to the financial statements reflects Kshs.3,007,441,497 in respect of compensation of employees. However, examination of the manual payroll revealed that the County Executive had three hundred and sixty-seven (367) staff members whose salaries were computed manually using excel spreadsheet. No satisfactory explanation was provided for maintaining a huge number of employees over a long period of time on the manual payroll without enrolling them into the Integrated payroll and personnel database. (IPPD).

In the circumstances, the effectiveness of the internal controls on the payroll system could not be confirmed.

3. Information, Communication and Technology Environment

As reported in the previous year, the County Executive had not put in place an Information Communication and Technology (ICT) strategy, steering committee, ICT security policy, business and ICT continuity plan including an off-site back-up plan to ensure data confidentiality, integrity and availability resulting to inadequacy in ICT governance.

Further the County had not established a Disaster Management and Recovery Policies including fire suppression systems contrary to Section 149(2) (c) of the Public Finance

Management Act, 2012 which provides that a public entity should ensure that all its records, financial or otherwise kept in electronic form are adequately protected and backed up.

In the circumstances, in the event of a disaster it is doubtful the County Executive would recover vital information lost and, therefore, safeguard and restore its operations.

4. Lack of Risk Management Policy

Available information indicates that the County have not put in place a risk management policy, risk assessment reports & risk register during the year under review contrary to section 155. (1) (a) of the Public Finance Management Act, 2012 that provides that a county government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, risks may not have been identified and mitigated.

5. Lack of a Functioning Audit Committee

Review of the governance structure revealed that although an Audit Committee was appointed on 17 October, 2023 as per the appointment letters provided for audit review, one of the members resigned and had not been replaced as September, 2024 rendering the audit committee non-functional due to lack of quorum to meet and carry out its mandate.

In addition, the Audit Committee did not hold any meetings in the year under review contrary to Section 172 (1) of the Public Finance Management (County Governments) Regulations, 2015 which requires them to meet at least once every three months.

Further, contrary to Regulation 159(2) of the Public Finance Management (County Governments) Regulations, 2015, the Committee did not publish an annual report on the review of the independence, performance, and competence of the Internal Audit Unit. The law provides that in each financial year, the Audit Committee shall carry out an annual review of the independence, performance and competence of the Internal Audit Unit and comment on its effectiveness in an annual report.

6. Lack of Operational and Functional Independence of Internal Audit Department

A review of the County`s internal audit department revealed that the department lacked operational and functional independence due to lack of a functional audit committee in place contrary to section 155(1) of the Public Finance Management (County Government) Regulation 2015 which requires the Head of the Internal Audit unit in a county government entity to enjoy operational independence through the reporting structure by reporting administratively to the Accounting Officer and functionally to the Audit Committee.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Failure to Maintain an Updated Fixed Assets Register

Annex 6 of the financial statements in respect of summary of non- current assets register, reflects a total of Kshs.2,983,153,611 in respect to historical cost of non-current assets. However, during the year under review, Management County did not maintain an updated, and accurate fixed asset register. In addition, it was noted that the County did not have in place an assets policy to govern, procurement, control, and disposal of its assets contrary to section 149 (2) (o) of the Public Finance Management Act, 2012.

In the circumstances, it was not possible to confirm the existence of effective measures on security use and condition of county assets.

2. Use of Manual Payroll

The statement of receipts and payments together with Note 3 to the financial statements reflects Kshs.3,007,441,497 in respect of compensation of employees. However, examination of the manual payroll revealed that the County Executive had three hundred and sixty-seven (367) staff members whose salaries were computed manually using excel spreadsheet. No satisfactory explanation was provided for maintaining a huge number of employees over a long period of time on the manual payroll without enrolling them into the Integrated payroll and personnel database. (IPPD).

In the circumstances, the effectiveness of the internal controls on the payroll system could not be confirmed.

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In the circumstances, and in the absence of an active and vibrant Audit Committee the overall internal control system and risk management in the county executive may have been ineffective in the year under review.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 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 overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the County Executive either intends to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

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 follow 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 entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/ This description forms part of my auditor's report.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

23 December, 2024