REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

COUNTY EXECUTIVE OF EMBU

FOR THE YEAR ENDED 30 JUNE, 2024

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF EMBU 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 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 the 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 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, 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 Embu set out on pages 1 to 50, which comprise the statement of financial assets and liabilities as

at 30 June, 2024 and the statement of receipts and payments, statement of cash flow and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of County Executive of Embu as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

1.1 Unreconciled Kenya Power Debt

Note 17 to the financial statements reflects pending accounts payable and other pending payables balances of Kshs.1,755,700,997 and Kshs.451,352,574 respectively. The pending accounts payable balance of Kshs.1,755,700,997 includes supply of services of Kshs.409,472,260 which further includes an amount of Kshs.67,910,596 owed to Kenya Power. However, Kenya Power records show an amount of Kshs.50,973,758 resulting in an unreconciled and unexplained variance of Kshs.16,936,837.

1.2 Unreconciled LAPFUND Balance

Other Important disclosures reflect pending accounts payable balances totalling Kshs.1,755,700,997 which includes supply of services of Kshs.409,472,260 which further includes an amount of Kshs.114,051,555.40 in respect to LAPFUND. However, The National Treasury records show that the county owes an amount of Kshs.39,360,268 in respect to LAPFUND resulting in an unexplained and unreconciled variance of Kshs.74,691,287.40.

In the circumstances, the accuracy and completeness of accounts payables – supply of services balance of Kshs.409,472,260 could not be confirmed.

2. Incomplete Asset Register

Annex 5 to the financial statements reflects total cumulative summary of non-current assets of Kshs.12,703,331,982. However, assets inherited from the defunct municipal councils were not included in the register.

Included in the balance of Kshs.12,703,331,982, is Kshs.3,814,395,773 in respect to land. However, the County Executive did not provide a list of all parcels of land owned by the County, their specific locations, approximate size, value, and respective title deeds.

Although the County Executive explained that it had already made efforts to acquire ownership documents, the verification and validation exercise for the assets owned by the devolved unit has not been undertaken. Further, no title deeds in the name of the County Government were provided for audit.

In the circumstances, the existence, valuation, ownership and location of specific land parcels could not be confirmed.

3. Unconfirmed Leasing of Medical Equipment Amount

Review of other important disclosures under Note 5 to the financial Statements revealed leasing of medical equipment amount of Kshs.122,723,404 and Kshs.110,628,298 for the current and comparative year respectively deducted at source. However, no records were available for audit indicating how the amount deducted at source was treated in the books of the County Executive.

In the circumstances, it was not possible to confirm the accuracy and existence of the equipment leased at a cost paid under current year of Kshs.122,723,404.

4. Long Outstanding Accounts Payables

Other important disclosures 1 and 2 to the financial statements reflect pending bills balance of Kshs.1,755,700,997 and Kshs.451,675,008 in respect to pending accounts payable and pending staff payables respectively totalling Kshs.2,207,376,005 that were not settled in the year under review but were carried forward to 2024/2025 financial year.

Further, analysis of the schedule of pending bills records revealed that the current pending bills amount to Kshs.2,207,376,005, while the outstanding bills for the last financial year were Kshs.1,926,990,499. This represents an increase of Kshs.280,385,506 or 13% increase in pending bills from the financial year 2022/2023.

In addition, analysis of pending bills revealed that the Management has long outstanding payables totalling Kshs.62,940,557 from financial year 2015/2016.

Management did not support the pending bills by a report from the task force appointed by the County to review the bills. Failure to settle bills during the year in which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year to which they have to be charged.

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

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the County Executive of Embu 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 Control and Performance

The statement of comparison of budget and actual amounts (recurrent and development combined) reflects final receipts budget and actual on comparable basis of Kshs.7,298,577,468 and Kshs.6,022,913,829 respectively resulting to an under-funding of Kshs.1,275,663,640 or 17% of the budget. Similarly, the County Executive spent Kshs.6,020,517,257 against an approved budget of Kshs.7,298,577,468 resulting to an under-expenditure of Kshs.1,278,060,212 or 18% of the budget.

The under-funding and under-performance 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 judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved 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, Management had not resolved the issues or given any explanations for failure to implement the recommendations.

Other Information

The Management is responsible for the other information set out on page iii to liii which comprise of project information and overall performance, statement of performance against the County's predetermined objectives, environmental and sustainability reporting and statement of County's Management responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit of the County Executive of Embu 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 and 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 THE 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 the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Failure to Prepare and Submit Financial Statements

i. Embu County Revenue Authority

Management did not prepare and submit financial statements for Embu County Revenue Authority as required by Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

ii. Level 4 Hospitals

The Hospitals' Management did not prepare and submit for audit the annual report and financial statements of the following four (4) level 4 Hospitals despite being in operation for the three years 2021/2022, 2022/2023 and 2023/2024 to the Office of Auditor General as per statutory deadline. Details are as shown below: -

Client Name	Scope	County
Runyenjes Sub County Hospital	Level 4 Hospital	Embu County
Mbeere Sub-county Hospital	Level 4 Hospital	Embu County
Kiritiri Level IV	Level 4 Hospital	Embu County
Ishiara Sub-county Hospital	Level 4 Hospital	Embu County

This was contrary to Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

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

2. Payments to Council of Governors

The statement of receipts and payments and as disclosed in Note 6 to the financial statements reflects other grants and transfers totalling Kshs.807,605,033 which includes Kshs.3,000,000 paid to the Council of Governors. However, the Management did not provide supporting documents including, legal framework, invoice and contract agreement that formed the basis for the payment. This was contrary to Section 52 of Intergovernmental Relation Act, 2012 which states that operational costs for the council of Governors shall be funded by the national government, the funds appropriated to the council.

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

3. Late Approval of the Embu County Government Appropriation Act, 2023

Review of the County Appropriation Act, 2023 revealed that the Act was approved and assented to on 16 August, 2023 and 21 August, 2023 respectively. However, approval from the Speaker of the County Assembly to the County Executive Committee Member granting authority to withdraw from the County Revenue Fund was not provided, even though the County Revenue Fund bank statements show that debit transactions of Kshs.819,438,640 and Kshs.538,826,546 were made on recurrent and development expenditure respectively as per the CBK Bank Accounts between 01 July, 2023 and 20 August, 2023. This was contrary to Regulation 36(1) of the Public Finance Management (County Governments Regulations) 2015 states that, where the County Appropriation Act is not assented to or is not likely to be assented to before the first working day of the financial year, the Speaker to the County Assembly, with approval of County Assembly, shall communicate to the County Executive Committee Member grant of authority to withdraw from the County Revenue Fund of monies of an amount not exceeding one-half of the amount included in the estimates in accordance with section 134 of the Act.

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

4. Unbudgeted Transfers to the Embu Level 5 Hospital

The statement of receipts and payments and as disclosed in Note 5 to the financial statement reflects transfers to other Government entities amount totalling Kshs.1,013,732,568 which includes transfers to Embu level 5 Hospital amount of Kshs.789,155,691. However, review of the County Supplementary Appropriation Act, 2024 revealed that the County Assembly appropriated a final supplementary recurrent and development budget of Kshs.224,326,400 and Kshs.116,000,000 respectively totalling Kshs.340,326,400 for the Embu Level 5 Hospital resulting to an unbudgeted transfer of Kshs.448,829,291. This was contrary to Regulation 46(1) of the Public Finance Management (County Government Regulations), 2015 which states that an accounting Officer shall inform his or her responsible County Executive Committee Member immediately of any circumstances that are likely to affect materially the budgetary results either through revenue and expenditure or other receipts and payments of the county government entity.

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

5. Stalled Project - Governor's Official Residence

The County Executive entered into a contract for construction of Governor's residence with a firm at a contract sum of Kshs.49,703,439 on 08 March, 2021. The contract period was to run for seventy-two (72) weeks with expected completion date of 8 September, 2022. The county Executive was required to allocate funds and prioritize construction of houses for the Governor and Deputy Governor on public land in accordance with the specifications therein, before the stated deadline. However, at the time of audit in September, 2024, the Governor's official residence was not complete and the last certificate of work done revealed that the project was 55% complete. The Project appeared to be stalled since the contractor was not on site. The building is deteriorating and the wood used has started to rot. Request for an engineer's opinion on status of the building were not provided for audit review. No evidence was provided for review to confirm whether the contractor had sought for extension of contract period, or a default notice issued to the contractor by the County Executive.

In the circumstances, Management was in breach of the SRC circular of 20 May, 2019 and the public may not have obtained value for money from the stalled project.

6. Compensation of Employees

The statements of receipts and payments reflect an amount of Kshs.2,434,981,502 in respect to compensation of employees for the year ended 30 June, 2024 as disclosed in Note 3 to the financial statements. Audit review of compensation of employees' records revealed the following unsatisfactory matters;

i. Failure to Set Expenditure Limit on Salaries and Wages

During the year ended 30 June, 2024, County of Embu incurred salaries and wages amount of Kshs.2,434,981,502 which translates to 41% of the total receipts of Kshs.6,022,913,829. However, there was no evidence to show that County Executive Member with approval of the County Executive set a limit on the county government expenditure on wages and benefits for its public officers. This was contrary to Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that the county government's expenditure on wages and benefits for its public officers, shall not exceed thirty-five (35) percent of the county government's total revenue.

ii. Non - Adherence to One-Third Basic Salary Requirement

Review of the monthly payroll records revealed that one thousand three hundred and sixty-six (1,366) employees' salary deductions fell below the one-third (1/3) of the basic salary contrary to Section 19(3) of the Employment Act, 2007 which requires that deductions made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

iii. Failure to Remit Payroll Deductions

Audit review of payroll data as at 30 June, 2024 revealed that overdue outstanding remittances totalling Kshs.431,803,980, deducted from employee salaries ageing more than two (2) years and not remitted to the respective entities. These include contributions to various retirement schemes including the Local Authorities Provident Fund (LAPFUND), the Local Authorities Pension Trust (LAPTRUST), Housing Levy, savings and loan repayment to different SACCOs and Banks, Union dues, HELB, statutory deductions, staff welfare associations, insurance policy deductions, and the County Pension Fund. This was contrary to Section 19(4)(5) of the Employment Act, 2007 stipulates that an employer who deducts an amount from an employee's remuneration in accordance with subsection (1)(a), (f), (g) and (h) shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement court order or arbitration as the case may be.

iv. Unbalanced Staff Ethnic Composition

During the year under review, County Executive of Embu had a total of five hundred and twenty-five (525) employees in job group L, M, N, R and S which is the representation of the senior management. However, review established that three hundred and fifty-two (352) or 60% of employees were from one dominant community. This was contrary to Section 7(1)(2) of the National Cohesion and Integration Act, 2008 stipulates that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and no public establishment shall have more than one third of its staff from the same ethnic community.

Further, during the year under review, County Executive of Embu recruited a total of nine hundred and eleven (911) employees. However, review established that seven hundred and ninety-nine (799) or 88% of the newly recruited employees were from the dominant community. This was contrary to Section 65(1)(e) of the County Government Act, 2012 in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.

v. Unsupported Recruitment

During the year under review, the County Public Service Board of Embu recruited nine hundred and eleven (911) employees in various positions. However, supporting documents such as list of all the applicants for these positions, short list of the applicants, interviewing minutes and summary of the score sheets for the interviewed candidates. The only documents provided for audit were the newspaper advertisement, the final list of the successful candidates and minutes of the County Public Service Board resolutions on successful candidates for the various positions.

In addition, only two hundred and ninety-seven (297) newly recruited employees could be traced both in the payroll and the list of successful candidates, six hundred and fourteen (614) recruits in the payroll could not be traced in the successful list of candidates making it unclear how they found their way into the payroll. This was contrary to Section 68 of the

County Government Act, 2012 states that subject to the relevant legislation, the County Public Service Board shall, for a specified period, maintain a record of all applications received in response to advertisements inviting applications and such record may be inspected by any person.

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

7. Outstanding Imprest

During the financial year under review the County Executive of Embu issued temporary imprest to staff for various activities across the County. However, as at the time of the audit in September, 2024 the Embu executive had an outstanding imprest of Kshs.12,774,887 which had not been surrendered. The outstanding imprest was issued between July, 2023 and 30 June, 2024 and had not been surrendered or accounted for contrary to Section 93(5) of the Public Finance Management (County Government) Regulations 2015 which stipulates that a holder of a temporary Imprest shall account or surrender the Imprest within seven (7) working days after returning to duty station. As at the time of the audit in September, 2024, the recovery process had not commenced contrary to the law.

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

8. Incomplete Renovation Works at Manyatta Market

Note 8 to the financial statements reflects an amount of Kshs.181,651,871 in respect to construction and civil works. During the financial year under review the county executive entered into a contract dated 26 April, 2024 with a construction company at a contract sum of Kshs.1,999,004 for renovation works at Manyatta Market to be completed within three months. Examination of payment records and supporting documents provided for audit revealed that even though the contract period expired on 26 July, 2024 and the final certificate had been paid, physical inspection of the project in September 2024 revealed that the project remained incomplete and had the following anomalies;

i. The contractor failed to construct a raised steel tank platform, to supply and install 1No 1000 litres water tank and allow for water connection estimated to cost Kshs.319,000.

ii. The contractor supplied and fixed substandard doors instead of 6NO 50mm thick flush doors estimated to cost Kshs.54,500.

iii. The ablution block walling was not built to a recommended standard height and the toilets have no ventilations to allow for free flow of air.

iv. No evidence was provided to show that the contractor requested for approval for variations and amendments to the design of the ablution block superstructure. However, the contractor implemented a concrete slab roof instead of a galvanized roof structure estimated to cost Kshs.112,220, contrary

to Regulation 132 of the Public Procurement and Asset Disposal Regulations, 2020.

This was contrary to Section 149(1) of the Public Finance Management Act, 2012 which states that an accounting officer is accountable to the county assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is (a) lawful and authorized and (b) effective, efficient, economical and transparent.

In the circumstances, value for money for the construction of the markets could not be confirmed and the public may have been denied benefits that could have accrued from the usage of the markets.

9. Construction of Milk Cooler Shed

Note 8 to the financial statements reflects an amount of Kshs.181,651,871 in respect of construction and civil works which includes an amount of Kshs.1,495,650 paid for construction and installation of a milk cooler shed through negotiation No. 1474829-2023-2024 at Mbui Njeru. However, even though the final certificate had been paid, physical inspection of the building carried out in September, 2024 revealed that the building was not in use. In addition, a Project sign board was not fixed, thus ownership of the Project could not be confirmed.

In the circumstances, value for money for the construction and installation of a milk cooler could not be confirmed and the public may have been denied benefits that could have accrued from the usage of the milk cooler.

10. Irregular Implementation of National Government Functions

The statement of receipts and payments and as disclosed in Note 8 to the financial statements reflects acquisition of assets totalling Kshs.832,009,365 which includes Kshs.2,965,321 for various projects. Examination of payment records and supporting documents provided for audit review in respect to construction and civil works revealed that the County Executive incurred an expenditure amounting to Kshs.2,965,321 to 3 (three) partially complete projects implemented by the National Government, Ministry of Agriculture through Kenya Tea Development Agency and the Ministry of Education. Further, these shared services were not supported by partnership agreements and the county did not have a county shared services platform aligned to national policies, standards and norms.

This was contrary to Section 118 of the County Government Act, 2012 which states that a county government may enter into an agreement with the national government, another county or an agency of the national government, to provide or receive any service that each county participating in the agreement is empowered to provide or receive within its own jurisdiction, including services incidental to the primary purpose of any of the participating counties. (2) Each county shall have a county shared services platform aligned to national policies, standards and norms.

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

11. Presentation of the Financial Statements

Review of the annual report and financial statements provided for audit review revealed that the County Executive did not indicate the engagement with the County Assembly through its committees and the Senate including number of bills sponsored by the executive and any other matters presented for deliberations.

In the circumstances, the financial statements have not been presented in accordance to the financial reporting template issued by the PSASB and IPSAS.

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 effect of 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. Voided Transactions

Analysis of system payments indicated that seven hundred and sixteen (716) transactions with a value of Kshs.324,525,938 were voided during the year. Management did not explain by way of reconciliation to confirm when the voided transactions were subsequently paid.

In the circumstances, controls in place to authorize and void transactions and later approve for payment could not be confirmed.

2. Lack of Ownership Documents

Annex 5 to the financial statements reflects summary of non-current assets register balance of Kshs.12,703,331,982 in respect of fixed assets which includes land with a balance of Kshs.3,814,395,773. However, land ownership documents were not provided for audit.

In the circumstances, the ownership and safe custody of the fixed assets could not be confirmed.

3. Failure to Tag Fixed and Movable Assets

Public Finance Management Regulations, 2015 paragraph 136 specifically mandates that County governments to maintain an updated asset register that records all fixed and movable assets. This includes tagging assets and keeping detailed records such as the cost of acquisition, asset location, and condition. Physical inspection of sampled office desks, chairs and desktops revealed that the assets did not have tags on them therefore, it was not possible to confirm whether the assets belonged to the County.

In the circumstances, the controls and safe custody of assets could not be confirmed.

4. Fleet Management

During the year under review, the Management failed to maintain and update vehicle register with details of chassis numbers, engine numbers, the dates the vehicles were put into use and the dates the vehicles were grounded. In addition, fleet records provided did not include motor vehicle chasis numbers whereas 106 motor vehicles and bikes lacked engine numbers.

Further, Management presented a list of two hundred eleven (211) movable assets for audit out of which one hundred and fifty-nine (159) motor vehicles and bikes were grounded and scattered in several yards and hospitals across the County. There were no records of the dates the assets were grounded and Management did not provide a disposal plan in respect to the assets. This was contrary to Regulation 176(1) of the Public Procurement and Assets Disposal Regulations 2020 which requires the Accounting Officer of a procuring entity to ensure that an annual assets disposal plan is prepared of items declared as unserviceable, surplus or obsolete, obsolescence stores, asset or equipment as set out under Section 53(4) of the Act.

In addition, Management reported that an unknown number of motorbikes belonging to the Department of Agriculture were grounded in a Sub-County office. However, there were no details including registration numbers and make of the grounded motorbikes. Further, three (3) motor vehicles were reported as not found but were in the register. Therefore, the existence, condition, value and location of the three motor vehicles could not be confirmed.

The Management reported that one motor vehicle had been grounded at a garage for the past three years due to outstanding arrears relating to repairs and maintenance of the vehicle. It was not clear why Management had not settled the outstanding arrears for the motor vehicle so that it may be put into use by the relevant department.

In the circumstances, existence, value and ownership of motor vehicles and motorbikes 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 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 the Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the County Government's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply with the authorities which govern them and that public resources are applied in an effective way.

Management is responsible for overseeing the County Government of Embu financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

20 December, 2024