

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF KITUI FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Executive of Kitui set out on pages 18 to 111, which comprise the statement of financial assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation 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 County Executive of Kitui as at 30 June, 2018 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

1.0 Lack of Trial Balance

The financial statements availed for audit review had not been supported by a trial balance as the management failed to submit the same.

Consequently, it has not been possible to ascertain the validity of the balances in the financial statements.

2.0 Inaccuracies in the Financial Statements

2.1 Variances in Financial Statements Balances and the Supporting Schedules.

The statement of receipts and payments for the year under review reflect total actual payments of Kshs.9,715,648,143 as at 30 June 2018. However, comparison of balances reflected in the financial statements for the year under review with the balances reflected in the respective supporting schedules reflected unexplained and unreconciled expenditure understatement of Kshs.68,969,179 on three items and an overstatement of Kshs.13,728,214 on two items as follows;

		Financial statement	Supporting Schedules	Variance Understated Overstated
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Items Description	Note	Balance (Kshs)	(Kshs.)	(Kshs)	
Domestic Travel and Subsistence, and Other Transportation Costs	12	445,802,386	444,973,622		828,764
Other Operating Expenses	12	218,761,581	219,410,842	649,261	-
Construction of Roads	17	444,825,833	431,926,383	-	12,899,450
Rehabilitation of Civil Works	17	30,580,070	63,877,181	33,297,111	-
Scholarships and other educational benefits	15	151,863,077	186,885,884	35,022,807	-
Net Total		1,291,832,947	1,347,073,912	68,969,179	13,728,214

In the circumstances, the accuracy of the financial statements balances as at 30 June 2018 could not be ascertained.

2.2 Variances Between the Financial Statements and Vote Book Balances

The statement of receipts and payments for the year under review reflects total actual payments of Kshs.9,715,648,143 as at 30 June 2018. However, the respective Integrated Financial Management Information System (IFMIS) vote book status report reflect total actual expenditure of Kshs.8,645,103,760 resulting into an unreconciled and unexplained variance of Kshs.1,070,544,383.

In addition, the statement of appropriation; recurrent and development combined reflects a total final budget of Kshs.11,243,352,815. However, the IFMIS final approved budget reflect a total of Kshs.9,909,662,623 resulting to unexplained and unreconciled variance of Kshs.1,333,690,192.

In the circumstance, the accuracy of the balances reflected in the financial statements as at 30 June 2018 could not be confirmed.

3.0 Cash and Cash Equivalents

3.1 Bank Reconciliation Statement

The statement of assets and liabilities reflect a cash and cash equivalent balance of Kshs.1,503,758,730 as at 30 June 2018, comprising of Kshs.1,502,249,441 bank balance

and Kshs.1,509,289 cash balances. However, the respective bank reconciliation statements and board of survey reports reflect a bank balance of Kshs.763,969,130 and a cash in hand balance of Kshs.1,298,594 resulting into an unexplained or unreconciled variances of Kshs.738,280,312 and Kshs.210,695 for the bank balance and cash in hand balance respectively both totaling to Kshs.738,491,006.

In the circumstance, the validity, completeness and accuracy of the cash and cash equivalents balance of Kshs.1,503,758,730 as at 30 June 2018 could not be ascertained.

3.2 County Government Standing Imprest Bank Account

Note 21A to the financial statements reflects bank balances of Kshs.1,502,249,441 as at 30 June 2018 which include Kshs.3,866,969 held at Kitui County Government standing imprest account number 1140752995. However, the respective bank reconciliation statement for June 2018 reflected a bank balance of Kshs.5,637,035 resulting to unexplained variance of Kshs.1,770,066.

In the circumstances, the accuracy of the bank balances of Kshs.1,502,249,441 reflected in the financial statements as at 30 June 2018 could not be confirmed.

3.3 County Revenue Fund

Note 21A to the financial statements reflects County Revenue Fund balance of Kshs.855,875,675 as at 30 June 2018. However, the respective bank reconciliation statement and bank confirmation certificate reflect a balance of Kshs.112,411,423 resulting to unexplained or unreconciled balance of Kshs.743,464,252.

In the circumstances, the accuracy of the Kitui County Revenue Fund balance of Kshs.855,875,675 reflected in the financial statements as at 30 June 2018 could not be ascertained.

4.0 Statement of Cash Flows

The statement of cash flows as at 30 June 2018 reflects cash and cash equivalent at the end of the year of Kshs.1,503,758,730. However, a recasting of the figures in the cash flows statement gave a total Kshs.1,464,807,876 resulting into an unexplained variance of Kshs.38,950,854. Further, the statement reflect a change in receivables of Kshs.3,814,166 while the respective supporting documents reflect a balance of Kshs.3,973,784 resulting into an unexplained variance of Kshs.159,618.

In the circumstance, the accuracy of the cash and cash equivalent balance of Kshs.1,503,758,730 as at 30 June 2018 could not be confirmed.

5.0 Prior Year Matter

As reported in the previous year, the audited financial statements for the financial year 2016/2017 reflected variances between various expenditure balances in the financial

statements and respective accounting schedules balances resulting into an understatement of the expenditure in the financial statements by Kshs.630,041,560 as follows;

Items Description	Supporting Schedules Balances (Kshs)	Financial Statement Balance (Kshs.)	Variance (Kshs)
Use of Goods and Services			
Routine maintenance-vehicles and other transport equipment	47,742,933	24,976,620	22,766,313
Rentals of produced assets	12,611,790	9,130,953.	3,480,837
Utilities, supplies & services	152,193,741	46,463,382	105,730,359.
Office and general supplies and services	49,239,750	36,409,280	12,830,470
Printing, Advertising and Information supplies and services	142,580,710	109,111,534	33,469,176
Training Expenses	99,423,467	42,123,327	57,300,140.
Specialized Materials and Services	437,627,989	231,650,120	205,977,869
Other Operating Expenses	138,159,596	80,876,278	57,283,319
Communication Supplies & Services	24,209,116	17,268,100	6,941,016.
Hospitality, Supplies and Services	91,398,942	54,338,447	37,060,495
Insurance	91,968,088	80,582,837	11,385,251
Total	1,287,156,122	732,930,878	554,225,244
Acquisition of Assets			
Purchase of vehicles and other transport Equipment	51,971,637	21,934,492	30,037,145.
Purchase of certified seeds, Breeding stock and live Animals	26,926,009	24,383,601	2,542,408
Construction and Civil Works	1,585,520,205	1,556,624,271	28,895,933.
Construction of roads	537,193,066	357,679,461	179,513,605.
Construction of Buildings	617,927,764	617,152,923	774,841
Purchase of ICT Equipment	13,983,917	13,208,717	775,200
Research, Studies, Project Preparation, Design & Supervision	227,091,764	109,376,510	117,715,254
Acquisition of Land	6,788,374	7,680,400	(892,026)
Acquisition of Intangible Assets	7,852,066	6,658,812	1,193,254.

Items Description	Supporting Schedules Balances (Kshs)	Financial Statement Balance (Kshs.)	Variance (Kshs)
Total	3,075,254,802	2,714,699,187	360,555,615
Compensation of Employees			
Basic Salaries of Permanent Employees	2,064,698,871.80	2,165,391,409	(100,692,537)
Basic wages of temporary employees	251,033,890.20	406,426,666	(155,392,776)
Personal allowances paid as part of salary	34,151,803.30	64,382,829	(30,231,026)
Social benefit schemes outside government	9,063,498.85	9,065,899	(2,400)
Total	2,358,948,064.30	2,645,266,803	(286,318,739)
Outstanding imprest	15,548,112	13,968,672	1,579,440.
Total	6,736,907,100	6,106,865,540	630,041,560

The Kshs.630,041,560 understatement had not been rectified as at 30 June 2018.

In the circumstances, the accuracy of the financial statements opening balances as at 1 July 2018 could not be ascertained.

6.0 Statement of Receipt and Payments

The statement of receipts and payments reflects total receipts of Kshs.9,571,591,356 as at 30 June 2018. However, the receipts were understated by re-voted funds (returned County Revenue Fund) of Kshs.1,318,085,375 which was unspent balances as at the end of 30 June 2017. No explanations were given for non-inclusion of returned County Revenue Fund issues as part of the receipts for the year ended 30 June 2018.

In addition, the combined summary statement of appropriation reflects total actual receipts of Kshs.10,889,676,731 which differ with the total receipts of Kshs.9,571,591,356 reflected in the statement of receipts and payments by unexplained variance of Kshs.1,318,085,375.

Further, the combined summary statement of appropriation reflects proceeds from domestic and foreign grants and transfer from other government entities of Kshs.251,387,743 and Kshs.332,781,148 respectively which differ with the amount reflected in the statement of receipts and payments of Kshs.183,811,098 and Kshs.400,357,784 by an explained variance of Kshs.67,576,645 and Kshs.67,576,636 respectively.

In the circumstance, the accuracy of total receipts of Kshs.9,571,591,356 reflected in the statement of receipts and payments for the year ended 30 June 2018 could not be confirmed.

7.0 Use of Goods and Services – Domestic Travel and Subsistence

Note 12 to the financial statements reflects Kshs.445,802,386 in respect to domestic travel and daily subsistence allowances and other transport costs which included Kshs.2,150,000 paid while carrying out a survey by department of environment and natural resources with South Eastern Kenya University. However, no supporting documents including minutes' resolution on the role and responsibility of each party to the survey were made available for audit review.

In addition, a signed list of the payments of allowance paid to the County Executive employees, 16 contracted field assistants and enumerators of Kshs.1,084,000, Kshs.480,000 and Kshs.96,000 respectively were not availed for audit review.

Further, Kshs.715,680 was spent by the department of Trade, Cooperative and Investment in paying per diem and stationery cost while training 16 enterprises from 3 to 13 October 2017. However, no supporting documents including correspondences between the department and the suppliers, signed list of participants and travelling documents to the venue of training were availed for audit review.

In the circumstances, the accountability and validity of the Kshs.2,865,680 expenditures being the sum of Kshs.2,150,000 and Kshs.715,680 as at 30 June 2018 could not be confirmed.

8.0 Pending Bills (Accounts Payable)

Note 5.10 to the financial statements reflects pending accounts payables, pending staff payables and other pending payables of Kshs.1,052,087,373, Kshs.23,752,648 and Kshs.91,835,472 respectively all totaling to Kshs.1,167,675,493.

However, the respective supporting documents including invoices, delivery notes, certificate for work completed and nature of debt were not made available for audit verification.

In the circumstances, the accuracy and existence of the pending bills payables of Kshs.1,167,675,493 as at 30 June 2018 could not be confirmed.

9.0 Acquisition of Assets - Motor Vehicles

The summary of fixed assets register at annex 5 to the financial statements reflects assets additions during the year totaling to Kshs.3,026,026,893 which include Kshs.69,408,261 spent on procuring sixteen (16) motor vehicles from various suppliers. However, the ownership documents including log books were not availed for audit verification.

In the circumstances, it was not possible to ascertain ownership and security of the motor vehicles totaling to Kshs.69,408,261 as at 30 June 2018.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Executive of Kitui in accordance with ISSAI 30 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 adverse opinion.

Key Audit Matters

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

Other Matter

1.0 Budgetary Controls and Performance

1.1 Comparison of Approved Expenditure Budget and the IFMIS Budget

During the year under review, the County Assembly approved a programme based budget for County Executive amounting to Kshs.10,253,583,217 to be shared among thirteen departments comprising of nine ministries, two town administration, County Public Service Board and office of the governor. However, analysis of the integrated financial management information system (IFMIS) budget reflected a total budget of Kshs.10,036,589,627 resulting to unexplained and unreconciled variance of Kshs.216,993,590 as analyzed below;

Department	IFMIS Budget (Kshs)	Approved Budget (Kshs)	Variance (Kshs)
Office of The Governor	1,364,914,243	1,364,914,243	0
Ministry of Administration And Coordination Affairs	453,880,924	453,880,924	0
The County Treasury	1,580,726,354	571,088,545	1,009,637,808
Ministry of Health & Sanitation	761,117,106	3,020,983,950	(2,259,866,84)
Ministry of Basic Education, ICT & Youth Development	899,832,400	761,117,106	138,715,294
Ministry of Trade, Cooperatives & Investment	3,020,983,950	516,342,971	2,504,640,979
Ministry of Lands, Infrastructure, Housing & Urban Development	516,342,972	899,832,399	(383,489,427)
Ministry of Tourism, Sports & Culture	-	300,972,478	(300,972,478)
Ministry of Agriculture, Water & Livestock Development	303,148,739	1,580,726,353	(1,277,577,614)
Ministry of Environment & Natural Resources	300,972,479	303,148,740.21	(2,176,261)
County Public Service Board	571,088,546	70,306,664.02	500,781,881
Mwingi Town Administration	263,581,914	146,686,925.92	116,894,988

Department	IFMIS Budget (Kshs)	Approved Budget (Kshs)	Variance (Kshs)
Kitui Town Administration (County Headquarters)		263,581,913.51	(263,581,913)
Total	10,036,589,627	10,253,583,217	(216,993,590)

1.2 Under Collection of Own Generated Revenue

During the year under review, the County had budgeted for own generated revenues totalling to Kshs.528,413,076. However, only Kshs.335,122,474 or 63% of this revenue was collected while Kshs.193,290,602 (37%) remained uncollected.

In addition, a review of the trend analysis for the past three (3) financial years revealed that the current revenue collection has gradually declined compared to the collections in the 2014/2015 and 2015/2016 financial years as shown below:

Financial Year	Budgeted amount (Kshs)	Actual Amount (Kshs)	Variance (Kshs.)	%
2014-2015	650,000,000	434,268,204	215,731,796	33
2015-2016	608,200,000	416,188,728	192,011,272	32
2016-2017	668,610,000	315,347,363	353,262,637	53
2017-2018	528,413,075	335,122,474	193,290,601	37

The County Executive is not desirous to adhere to its own budgetary policies by instituting effective revenue collection mechanisms during the year under review and the Kshs.193,290,602 revenues under collection translate to goods and services not delivered to citizens of Kitui County.

2.3 Budgetary Performance

The summary statement of appropriation - recurrent and development combined reflects approved final budgeted receipts of Kshs.11,243,352,815 and actual receipts of Kshs.10,889,676,731 resulting to under collection of revenue of Kshs.353,676,084 or 3%. Further, the summary statement of appropriation reflects approved final expenditure budget of Kshs.11,243,352,815 and actual expenditure of Kshs.9,715,648,143 resulting to under absorption of Kshs.1,527,704,672 or 14% as detailed below:

Item	Final Budget (Kshs)	Actual Receipts (Kshs)	Under/(Over) Receipts (Kshs)	(%)
Analysis of receipts				
Exchequer releases	8,652,300,000	8,652,300,000	0	100

Item	Final Budget (Kshs)	Actual Receipts (Kshs)	Under/(Over) Receipts (Kshs)	(%)
Proceeds from Domestic and foreign grants	412,418,308	251,387,734	161,030,574	39
Transfers from other Government Entities	332,136,056	332,781,148	(645,092)	0.194
County Own Generated Revenue	528,413,076	335,122,474	193,290,602	37
Returned CRF issues	1,318,085,375	1,318,085,375	0	100
Total Receipts	11,243,352,815	10,889,676,731	353,676,084	3
Analysis of Expenditures				
Item	Final Budget (Kshs)	Actual Expenditure (Kshs)	Under/(Over) Expenditure (Kshs)	
Compensation of employees	3,422,968,505	3,321,990,916	100,977,589	3
Use of goods and services	2,568,006,216	2,216,121,882	351,884,334	14
Transfers to other government units	989,769,598	974,951,572	14,818,026	1
Other grants and transfers	225,699,424	166,500,777	59,198,647	26
Social security Benefits	10,500,000	10,056,102	443,898	4
Acquisition of Assets	4,026,409,072	3,026,026,893	1,000,382,179	25
TOTAL Expenditure	11,243,352,815	9,715,648,143	1,527,704,672	14

The under absorption of Kshs.1,527,704,672 or 14%, especially on use of goods and services, other grants and transfers and acquisition of assets may have negatively impacted on the delivery of services to the citizens of Kitui County.

In the circumstance, the residents of Kitui County may have missed out on the benefits equivalent to the Kshs.1,527,704,672 appropriated but not expended during the year.

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 the Basis for Conclusion on Compliance with 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.

Basis for Conclusion

1.0 Non - Preparation of Cash Flow Projection

Section 127 of the PFM Act 2012 require County Governments to prepare cash flow projections by 15 June for the next financial year. The projection is to be submitted to the Controller of Budget with copies to the Intergovernmental Budget and Economic Council and the National Treasury. The Public Finance Management (PFM) County Government Regulations, 2015, regulation number 43 provides on the requirement of the accounting officer to provide the county treasury with the cash flow projections. However, no supporting documents showing that cash projection was submitted by the Executive to the Controller of Budget contrary to the law.

In the circumstances, the County Executive was in breach of the law.

2.0 Monthly Reporting Obligations by Accounting Officers

Regulation 54 of the Public Finance Management (PFM) County Government Regulations 2015, requires accounting officers to prepare on every 10th of each month, a monthly financial and non-financial budgetary report for the activities for the preceding month, and copies of the report forwarded to the controller of budget and the Auditor-General. However, during the year under review, there was no evidence that the reports were prepared and submitted as required by the PFM County Government Regulation 54.

In the circumstances, the County Executive was in breach of the law.

3.0 Revenue Arrears

A Local Authority Integrated Financial Operation Management System (LAIFOMS) outstanding balances report made available for audit review reflected revenue arrears totalling to Kshs.306,204,522 as at 30 June 2018. However, the revenue arrears were not disclosed in the financial statements contrary to International Public Sector Accounting Standards (IPSAS) Financial Reporting under cash basis of accounting (Final Pronouncement, November 2017) Section 1.2.2 which requires in part that notes to the financial statements may provide additional information about liabilities, such as non-cash assets such as receivables. In the circumstance, the County Executive was in breach of the law.

4.0 Compensation of Employees

4.1 Staff Establishment

According to the County Government Act 2012, Section 5(2)(f) one of the responsibilities of the County Government shall be to establish and staff its public service as contemplated under Article 235 of the Constitution. However, the County Executive did not have an approved staff establishment that would show the establishment status including, the numbers filled and any under/ over establishments.

In addition, the County Executive had not undertaken an employee head count exercise that would confirm the employees of County Executive, the deployment of staff, and skill analysis.

In the circumstances, it was not possible to ascertain how the staff were held accountable for their jobs and whether there were over and under establishment during the year under review.

4.2 Unauthorized Engagement of Casuals

Note 11 of the notes to the financial statements reflects an expenditure of Kshs.455,233,308 in respect to basic wages of temporary employees which further include Kshs.5,486,293 spent on payments of casuals engaged by the County Executive.

However, the respective supporting documents including the authority from the County Public Service Board to engage the casuals, the engagement letters and copies of the identity cards were not availed for audit review. In addition, the casuals were paid in cash, making it impossible to establish the authenticity of the payments.

In the circumstances, the validity of Kshs.5,486,293 as at 30 June 2018 could not be confirmed.

5.0 Use of Good and Services

5.1 Procurement of Pesticides

Note 12 of notes to the financial statements reflects use of goods and services balance of Kshs.2,216,121,882 as at 30 June 2018 which include specialized materials and services balance of Kshs.610,091,832 which further include Kshs.8,342,983 for the procurement of pesticides. The procurement method used was request for quotations and a total of 26 suppliers were given the contract to supply various quantity of pesticides. However, this amount was above the prescribed value of Kshs.2,000,000 which is the allowable limit for the request of quotations. Instead the procurement was split into smaller procurements amounts to ensure it did not go beyond the Kshs.2,000,000 mark. This is against the provision of Section 54 of the Public Procurement and Asset Disposal (PPAD) Act, 2015 which states that no procuring entity may structure procurement as two or more procurements for the purpose of avoiding the use of a procurement procedure except where prescribed. The method adopted was request for quotations and no justification was given as to why the method was preferred to open tender.

In the circumstance, the County Executive was in breach of Section 54 of the PPAD Act, 2015

5.2 Installation of P8 Outdoor Digital Bill Board

Note 12 to the financial statements reflects printing, advertising and information supplies and services balance of Kshs.121,080,125 as at 30 June 2018 which include Kshs.3,070,000 for setting up and installation of an outdoor billboard at the main bus station. However, the successful tenderer was notified on 1 December 2017 and accepted the offer on 4 December 2017 and a contract was signed on 8 December 2017, only eight (8) days after the date of notification.

This was in contravention of Section 135(3) of the Public Procurement and Assets Disposal Act, 2015, which requires the contract to be entered into within the period specified in the notification but not before expiry of 14 days following the date of notification.

Consequently, the County Executive was in breach of the law.

5.3 Procurement of Booklets

Note 12 to the financial statements reflects printing, advertising and information supplies and services balance of Kshs.121,080,125 as at 30 June 2018 which include Kshs.37,456,400 for printing and supply of 42,000 copies of booklets to celebrate three (3) years of devolution. The method of procurement used was restricted tendering. However, no documents or explanation were provided to justify that the goods were complex and specialized in nature, or time and cost required to examine and evaluate a large number of tenders would be disproportionate to the value of good to be procured and evidence to the effect that there were only few known suppliers of the said goods.

As a result, the County Executive was in breach of Section 102(1) of the Public Procurement and Assets Disposal (PPAD) Act, 2015 which stipulate the condition for use of restricted tendering method of procurement.

5.4 Procurement of Goods Used During Mining Awareness Conference

Note 12 to the financial statements reflects printing, advertising and information supplies and services balance of Kshs.121,080,125 as at 30 June 2018 which included Kshs.5,080,000 for supply of shirts, round neck T-shirts, calendars and brochures including printing of mining Act,1000 copies in each items. However, the opening, evaluation and award of tender was done by the same composition of committee members contrary to Section 78(b) of the PPAD Act, 2015, which requires that at least one of the tender opening committee members should not participate in the tender evaluation process. Further, the quotation submitted for consideration were opened, evaluated, awarded and local purchase

order raised on the same date. This was in contravention of Section 135(3) of the Public Procurement and Assets Disposal Act, 2015, which requires the contract to be entered into within the period specified in the notification but not before expiry of 14 days following the date of notification.

In the circumstances, the County Executive was in breach the law.

5.5 Payment to Council of Governors

Note 12 to the financial statements reflects other operating expenses of Kshs.218,761,581 which included Kshs.5,625,000 paid to the council of governors. However, the payment was in contravention of the Section 37 of the intergovernmental Relation Act, 2012 which states that the operational expenses in respect of the structures and institutions established in this Act shall be provided for in the annual estimates of the revenue and expenditure of the National government to cater for; the Summit, the Council of County Governors, the Technical Committee, Secretariat and the sectoral working group established by the Technical Committee and the sectoral working groups established by the Council.

As a result, the County was in breach of the law and the propriety of the expenditure of Kshs.5,625,000 for the year ended 30 June 2018 and value for money could not be confirmed.

5.6 Insurance Cost

Note 12 to the financial statements reflects an expenditure on Insurance cost totaling to Kshs.80,912,517 paid to various insurance companies. However, no supporting documentary evidence including procurement documents: opening, evaluation and award minutes were availed for audit verification contrary to Section 68(2) of Public Procurement and Assets Disposal Act, 2015 which stipulated the procurement records an accounting officer should keep.

In the circumstances, it was not possible to ascertain the propriety and value for money for the Kshs.80,912,517 expenditure as at 30 June 2018.

6.0 Acquisition of Assets

6.1 Renovation and Completion of Various Works at Kyangunga Dispensary

Note 17 to the financial statements reflects construction of buildings balance of Kshs.348,570,301 as at 30 June 2018 which include Kshs.9,509,149 paid to a contractor for renovation and completion of various works in Kyangunga Dispensary. The County Executive entered into a contract with the contractor on 13 October 2016 at a contract sum of Kshs.11,829,044. The letter of notification of award was issued on 06 October, 2016, and accepted on 07 October, 2016. As at 30 June 2018, the contractor had been paid a total of

Kshs.9,509,149 being certificate number 1 dated 13 February, 2017 of Kshs.4,220,061 and certificate number 2 dated 20/12/2017 of Kshs.5,289,087. However, approved requisition, tender advert including the specifications, tender opening minutes, the bill of quantities and the formal contract document were not made available for audit review. Further, the Minutes for site inspection and meeting held on 14 December, 2017 indicated that contract commencement date was 25 November, 2016 to be completed after 20 weeks on 14 March, 2017. However, during physical verification on 11 October, 2018, it was observed that the works had not been completed and the contractor was not on site.

In the circumstances, the procurement process could not be confirmed to have been true and fair. Further, the delayed completion of the project has led to delayed benefits to the target beneficiaries and there was no indication of value for money.

6.2 Construction of Outpatient at Mwingi Level 4 Hospital

Note 17 of notes to the financial statements reflects construction of buildings balance of Kshs.348,570,301 as at 30 June 2018 which include Kshs.3,825,000 paid to a contractor for the construction of a modern outpatient department block at Mwingi level 4 hospital. The contract sum was Kshs.59,418,911 and was to take a period of 8 weeks (242 days) starting 12 February, 2015 as per the contract. The accumulated amount paid to the contractor as per certificate number 8 was Kshs.56,905,553. A physical verification on 11 October 2018 revealed that the contractor was on the ground doing final finishing to the building resulting to 1337 days lapsed from the completion date. This was against clause 6 of the contract which stated that unless agreed by both parties the contract should be performed within the contract duration as stipulated and any delays shall result to penalties for failure to complete the project in time. However, no documents were made available to show that the contractor had been penalized for the delayed completion.

In the circumstances, the delayed completion of the project has led to delayed benefits to the target beneficiaries and no value for money have been realized for the Kshs.56,905,553 expenditure as at 30 June 2018.

6.3 Construction of Mortuary at Mwingi Level 4 Hospital

Note 17 to the financial statements reflects construction of buildings balance of Kshs.348,570,301 as at 30 June 2018 which included Kshs.4,161,443 for the construction of a mortuary at Mwingi Level 4 Hospital whose total contract sum was Kshs.20,523,600. The letter of notification of award was dated 24 January 2017 and accepted on 25 January 2017. The contract agreement was dated 14 February 2017. This contract agreement indicated in clause 4 that the contract duration was one (1) month starting 08 February 2017. However, a review of documentation made available for audit and physical verification carried out on 11 October 2018 revealed the following issues:

- i. The procurement of the project could not be traced in both the annual budget and procurement plan made available for audit review. In the circumstance, it could

not be confirmed that the procurement was properly planned for as required by Section 53 of the Public Procurement and Assets Disposal Act 2015.

- ii. The approved requisition, tender advert including the specifications, tender opening minutes, the bill of quantities and the regret letters were not made available for audit review.
- iii. The tender evaluation report was not as per the regulation stated above as it lacked the scores awarded by each evaluator.
- iv. Further, there was no recorded deliveries of the regret letters, if any, to the unsuccessful tenderers contrary to Section 74 of the PPAD Act 2015.
- v. During the physical verification on 11 October 2018, it was observed that the building had been done to roofing and some windows had not been fixed but the contractor was not on site an indication that the works had stalled.

In the circumstances, the delayed completion of the project had led to delayed benefits to the target beneficiaries and no value for money was realized.

6.4 Construction of Amenity Block at Kitui Referral Hospital

Note 17 of notes to the financial statements reflects construction of buildings balance of Kshs.348,570,301 as at 30 June 2018 which include Kshs.23,705,000 for construction of an amenity ward at Kitui Referral Hospital. This amount was part of the contract sum of Kshs.144,775,000.

The works had been advertised in the dailies on 05 April 2017 and three bidders responded. The tenders were evaluated on 26 April 2017 and one of the contractors was recommended for award. The notification for award was issued on 27 April 2017 and accepted on the same date. The contract agreement was signed on 11 May 2017. However, audit review of the documentation made available and physical verification on 11 October 2018 revealed the following issues:

- i. The tender opening minutes, bid documents, regret letters and site hand over minutes were not made available for audit review. The procurement process therefore, could not be confirmed to have been true and fair.
- ii. The tender evaluation report made available for audit indicated that the tender was opened on 19 April 2017. This was the 19 day after the advert which is less than provided by regulation 40 of the public procurement and disposal regulations 2006 which provides for a minimum period of 21 days.
- iii. The physical verification revealed that the project had stalled at almost slab level. The contractor was not at site and appeared not to have been at the site for some time. The project duration was 24 months and as at the time of the verification 18 months

had lapsed. Considering that only 16.4% of the works had been certified complete, and that the contractor was not at the site, there was a high likelihood that the contractor was not going to deliver within the remaining 6 months as at the time of audit.

In the circumstances, the delayed completion of the project had led to delayed benefits to the target beneficiaries and there was no value for money for the expenditure total Kshs.23,705,000.

6.5 Stalled Construction of Outpatient Block at Kitui Referral Hospital

Note 17 to the financial statements reflects construction of buildings balance of Kshs.348,570,301 as at 30 June 2018 which include Kshs.8,795,001 paid to a contractor for the construction of a modern outpatient block at Kitui Referral Hospital. The contractor had been contracted for the works at a contract sum of Kshs.43,975,009, out of which Kshs.41,661,642 has been certified and paid as per the 3rd valuation certificate dated 8 December 2017. The contract notification was issued on 24 January 2017 and accepted on 25 January 2017. The contract agreement was signed on 08 February 2017. A review of the documentation made available for audit review and physical verification revealed the following issues:

- i. The tender opening minutes, bid documents, regret letters and site hand over minutes were not made available for audit review. The procurement process could therefore not be confirmed to have been true and fair.
- ii. The physical verification revealed that the completion of the building had stalled as the contractor was not on site and had demobilized. Some internal finishes including doors and tiling had not been done. The works had therefore not been completed 583 days after the expiration of the agreed contract period on 07 March 2017. Clause 6 of the contract required unless otherwise agreed by both parties, the contract shall be performed within the contract duration as stipulated and any delays shall result in penalties for failure to complete the project in time and shall be followed by a notification to the contractor of termination proceedings of the contract. No action has been taken by the County Executive to actualize the clause.

In the circumstances, the delayed completion of the project led to delayed benefits to the target beneficiaries.

6.6 Construction of Outpatient Block at Mutomo Kitui South Sub County

Note 17 to the financial statements reflects construction of buildings balance of Kshs.348,570,301 as at 30 June 2018 which include Kshs.4,148,320 for construction of an outpatient block at Mutomo Kitui South Sub County. The procurement process had been done in the year 2016/2017. The letter of notification of award was issued on 24 January 2017 and accepted on 25 January 2017. The contract agreement was signed on 08 February 2017 and was to take 16 weeks commencing 10 April 2017 and ending on

10 August 2017. However, the approved requisition, tender advert, tender opening minutes, appointment letters to the adhoc committees, and the bid documents were not made available for audit. Further, physical verification revealed that the project construction stalled at barely the foundation level. The construction was just 2 courses above the ground and the floor slab had not been done. The contractor had demobilized and the site appeared abandoned for quite some time. The Executive did not invoke clause 6 of the contract agreement and Section 104 of the PPAD Act, 2015 which stipulate the liquated damages for delayed performance of contract.

In the circumstances, the delayed completion of the project led to delayed benefits to the target beneficiaries.

6.7 Construction of Theatre at Ikutha Health Centre

Note 17 to the financial statements reflects construction of buildings balance of Kshs.348,570,301 as at 30 June 2018 which include Kshs.5,242,750 paid to a contractor for construction of theatre at Ikutha Health Centre. The amount was part of the contract sum of Kshs.6,879,150. The procurement process was started in 2016/2017 financial year. A review of the audit documentation and physical verification on 10 October, 2018 revealed the following issues:

- i. The recorded deliveries showing that bids were invited from 10 bidders were not made available for audit review. Section 74 of the PPAD Act 2015 require that all tender documents are sent out on recorded deliveries.
- ii. The tender opening minutes, letters of appointment to the adhoc committees, recorded delivery of regret letters and bid documents were not made available for audit review.
- iii. As at the time of the audit verification on 10 October 2018 the theatre was not yet at a usable state. The works were incomplete, as drainage works, electrical works, and other finer finishing had not been done. In addition, the building had developed visible cracks running on the wall and floor. The contractor was not on the site and had demobilized as no visible equipment were at the site.

In the circumstances, the delayed completion of the project has led to delayed benefits to the target beneficiaries and no value for money was realized.

6.8 Storeyed Maternity Ward at Kitui Referral Hospital

As reported in the previous year, the County Executive entered into a contract with a contractor for the construction of a storey maternity ward at a contract sum of Kshs.242,782,653. The letter of award was issued on 27 April 2017 and the contractor accepted on 28 April 2017. The contract form was signed on 11 May 2017. The following observations were made:

- i. The project could not be traced in the annual procurement plan, and annual budget for the year. It was therefore possible that the project may not have been planned appropriately.
- ii. During the year under review, Kshs.35,281,850 was paid to the contractor vide payment voucher number 18694 dated 09 February 2018. However, the payment voucher together with the supporting documents and certificates were not made available for audit review.
- iii. Physical verification revealed that the project had stalled and the contractor was not at the site. The completion of the project was therefore doubtful.

In the circumstances, the management was in breach of the law and the Executive may not have obtained value for money on the money spent on the ward.

6.9 Procurements of Works and Services for Kanyonyoo Sand Yard

Note 17 to the financial statements reflects construction of buildings balance of Kshs.348,570,301 as at 30 June 2018 which included Kshs.3,972,110 and Kshs.3,984,168 paid to two contractors for construction of office, gate house and pit latrine and for fencing and putting a gate at Kanyonyoo sand yard respectively. A review of the documentation made available for audit review and physical verification carried out on 09 October 2018 revealed the following issues:

- i. The two projects files lacked the tender opening minutes, the contract document and or the LSO issued, and the regret letters sent out to the losing bidders.
- ii. In both tenders, five quotations were received for each. It was however observed that there were no letters of appointment of the three officers who opened the quotations.
- iii. For both tenders it was observed that the officers who opened the quotations were the same officers who did the evaluation contrary to Section 78(1) (b) of the PPAD Act 2015 which require that at least one of the members involved in the tender opening not to be involved in the tender processing or evaluation. It was also noted that the same officers participated in the tender opening and evaluation of both tenders, contrary to section 46(4) (b) which calls for rotation of the members of the tender evaluation committee.
- iv. The deadline for tender number Q009 was indicated as 08 January 2018. The quotations were opened on 15 February 2018. This is contrary to Section 78(3) which require that tenders are opened immediately after the deadline for the submission of the tenders.

In the circumstances, the management was in breach of the law and the citizen of Kitui may not have obtained value for money of Kshs.3,972,110 and Kshs.3,984,168 contract.

6.10 Construction of Go-down at Syongila

Note 17 to the financial statements reflects construction of buildings balance of Kshs.348,570,301 as at 30 June 2018 which include Kshs.21,363,786 for the construction of the proposed Go-Down at Syongila Polytechnic. However, audit review of the documentation made available and physical verification on 08 October, 2018 revealed the following issues:

- i. The tender opening minutes, letters appointing the tender opening, tender evaluation and inspection and acceptance committees were not availed for audit review.
- ii. Section 106(5) (b) of the PPAD Act require the successful bidder to confirm the order in writing. However, this provision was not adhered to in the tenders as no such confirmations were availed for audit review.

In the circumstances, the management was in breach of the law and the citizen of Kitui may not have obtained value for money for the resources spent on the Go- down.

6.11 Construction and Maintenance of Roads

Note 17 to the financial statements reflects construction of roads balance of Kshs.444,825,833 as at 30 June 2018 which include Kshs.9,347,614, Kshs.5,381,084 and Kshs.11,812,921 all totaling to Kshs.26,541,619 paid to various contractors for construction and maintenance of roads including; Mataka- Ilamba- Murangeni road, Kalala-Mutia- Makoli road and Upgrading to Bitumen standard on Garissa Stage-Musila Garden Road respectively. However, the following anomalies were noted in all the three contracts:

- a) The procurement could not be traced in the annual procurement plan made available for audit review. In the circumstance, it could not be confirmed that the procurement was properly planned for as required by Section 53 of the PPAD Act 2015.
- b) The invitation to tender did not have a requirement that the bidders serializes all the pages in the submitted bids. This was contrary to Section 74 (1) stated.
- c) The regret letters sent out to the unsuccessful bidders did not indicate the winning bid as is required by Section 87(3) of the procurement law. Further, there was no recorded deliveries of the regret letters contrary to the Section 74 of the PPAD Act, 2015.
- d) The contract award was not published and publicized as is required by the Section 138 (1) of the Public Procurement and Asset Disposal Act, 2015.
- e) Technical report on the reserve price of the three contracts were not provided contrary to Section 164(3) of the PPAD Act 2015.

- f) The advertisement was done on only one (1) daily newspaper contrary to Section 96(2) of the above Act.

In the circumstances, the Executive was in breach of the law and value for money may not have been obtained by the citizen of Kitui County on the resources spent on construction and maintenance roads.

6.12 Supply, Delivery, Installation and Commissioning of Stationary Stone Crusher Plant

Note 17 to the financial statements reflects purchase of specialized plant, equipment and machinery balance of Kshs.202,246,459 as at 30 June 2018 which included Kshs.17,061,098 paid to a contractor as 20% of the contract price of Kshs.85,305,490 for supply, installation and commissioning of stationary stone crusher plant. The agreement indicated that 20% was to be paid upon signing the contract, 50% upon delivery and 30% upon successful commissioning. The contract was signed on 25 May 2018 and 20% of the contract price was paid during the year under review. However, the item was not in the procurement plan contrary to Section 53(2) of PPAD Act,2015, no tender evaluation report was availed, particulars of the persons who submitted tenders or their representatives who attended the opening of tenders was not provided contrary to Section 78(10) (b) of the PPAD Act, 2015, regrets letters to unsuccessful bidders were not provided for audit review contrary to Section 87(3) of PPAD Act, 2015. Further, the geological survey report on suitability and viability of the project was not availed.

In the circumstances, the Executive was in breach of the law and there was no certainty that the County residents would get value for money for the Kshs.17,061,098 expenditure as at 30 June 2018

6.13 Green Grams Revolution (Ndengu Revolution)

Note 17 to the financial statements reflects purchase of certified seeds, breeding stock and live animals balance of Kshs.81,312,438 as at 30 June 2018 which include Kshs.49,620,373 paid to various suppliers for procuring certified green gram seeds. During the financial year under review, Kitui Executive initiated a Ndengu Revolution program whose aim was to acquire certified green gram seeds from accredited suppliers for planting by deserving Kitui County people with the objective of achieving Food Security, Income Generation and Wealth Creation. The farmers were to be supported with certified seeds of two varieties namely KS20 and N26 to be procured, supplied delivered and distributed separately by the Red Cross Society of Kenya and the County Executive of Kitui. A total of 240 households were targeted though with a predetermined vetting identification exercise set. A total of Kshs.49,620,373 was incurred by the Executive in procuring the certified green gram seeds. However, it was noted that the Ndengu Revolution objectives were substantially not realized. First, on food security, the revolution was supposed to transform the whole activity into a cash crop farming so that farmers could use the proceeds to buy other preferred food stuffs such as maize. On income generation, the green grams were anticipated to attract Kshs.100 per kilogram upon harvest only to retail at Kshs.30 per kilogram just as before. On wealth

creation, a proposal to establish “The first community Bank” where by green gram farmers would make their savings and there after borrow for possible investments has not been actualized to date. Further, it could not be confirmed the role of the Red Cross and that of the Executive on Ndengu Revolution distribution as some farmers confirmed receiving seeds from both parties.

Consequently, it was not possible to ascertain that the Kshs.49,620,373 expenditure achieved its intended objective and it has not been possible to ascertain if value for money was received on the project by the citizens of Kitui County.

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

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 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 governance were not effective.

Basis for Conclusion

1. Early Childhood Development Education (ECDE) Teachers with Same Bank Account

A review of the payroll for the year under review indicated that a total of twenty (20) bank accounts were each shared by two (2) Early Childhood Development Education (ECDE) teachers resulting to forty (40) ECDE teachers sharing various bank accounts.

It was not explained how the forty (40) teachers can share various bank accounts and how they operated the shared bank accounts.

2. Sharing of Tax Personal Identification Numbers(PIN)

A review of the July 2017 manual payroll revealed that three hundred and twelve (312) Kenya Revenue Authority Personal Identification Numbers (PINs), each were shared by two ECDE teachers resulting to six hundred and twenty-four (624) ECDE teachers sharing various personal identification numbers. In addition, comparison of the Manual payroll for ECDE teachers for the month of June 2018 with the Integrated Personnel Payroll

Data(IPP) payroll for the month of June 2018, revealed that fifteen (15) personnel were sharing similar KRA Tax pins. No explanations were given in regard to this irregularity.

3. Lack of Documented Risk Management Policy and Reports

The Public Finance Management (County Governments) Regulations, 2015, Section 153 (1) (b) states that internal auditors shall have a duty to give reasonable assurance through the audit committee on the state of risk management, control and governance within the organization.

However, audit assessment of the internal controls on the risk management processes revealed that the County Executive of Kitui internal audit section did not have a risk management policy. Further, there was no documented formal risk assessment during the financial year 2017/2018. It was therefore not clear how risks were identified, their significance estimated and likelihood of their occurrence determined. Further, it could not be established how the risks were controlled and monitored to ensure correction/mitigation measures were effective in the absence of documentation and reports on the same.

Consequently, without risk management policy in the Executive, it was not possible to ascertain how risks were identified and mitigated during the year under review.

4. Non Sequential Numbering of Payment Vouchers

The PFM (County Government) Regulations, 2015 regulation number 104(1) requires that receipt and payment vouchers of public money to be properly supported by pre-numbered receipt and payment vouchers. However, analysis of County Executive's payment vouchers revealed that there was existence of a gap in sequential numbering of payment vouchers which the management failed to explain or justify.

5. Poor Maintenance of Cash Books

The cash books for Kitui County Executive standing imprest, Kitui County Revenue collection account and Kitui Pro-Poor Account for the year under review were not properly maintained as the cash book balances were not counter checked by senior officer as part of internal control policy mechanism.

Further, the cash book for revenue collection account was partly maintained; only transactions relating to receipts were captured while the transfers from revenue collection account to county revenue fund account and other payments were not accounted for.

Consequently, the accuracy of the financial statements balances of Kshs.3,866,969, Kshs.8,551,909 and Kshs.39,032,399 for standing imprest, revenue collection account and Kitui Pro-Poor Account respectively as reflected in note 21A to the financial statement could not be confirmed as at 30 June 2018

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standard requires that I plan and perform the audit to obtain assurance about whether effective

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 such 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

In preparing the financial statements, management is responsible for assessing the Kitui County Executive's ability to continue sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the County Executive of Kitui 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 are in compliance with the authorities which govern them, and that public money is applied in an effective manner in line with Article 229(6) of the Constitution of Kenya, 2010.

Those charged with governance are responsible for overseeing the Kitui County Executive's 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

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 of Kenya. 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 addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review 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 non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Kitui County Executive's 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 going concern 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 Kitui County Executive's ability to continue offering 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 of Kitui to cease to continue offering services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate 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 of Kitui 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

18 February 2019