

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of County Executive of Taita Taveta set out on pages 1 to 42, which comprise the statement of assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of County Executive of Taita Taveta 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 do not comply with the County Government Act, of 2012.

Basis for Adverse Opinion

1. Variances Between Financial Statement and Integrated Financial Management Information System (IFMIS) Balances

The financial statements for the year ended 30 June 2018 reflect variances between the Financial Statements and Integrated Financial Management Information System amounting to Kshs.5,351,727,279 as detailed below:

S/No.	Components	Note	Figure as per Financial statements for 2017-2018 (Kshs.)	Figure as Per IFMIS (Kshs.)	Variance (Kshs.)
	Receipts				
1	Exchequer Releases	1	3,895,800,000	-	3,895,800,000
2	Proceeds From Domestic And Foreign Grants	2	102,437,473	-	102,437,473
3	Transfers From Other Government Entities	3	231,883,738	-	231,883,738
4	County Own Generated Receipts	9	203,635,113	-	203,635,113
	Total Receipts		4,433,756,324		4,433,756,324
	Payments				

5	Compensation Of Employees	11	2,080,083,939	2,077,357,035	2,726,904
6	Use Of Goods And Services	12	829,427,834	665,113,745	164,314,089
7	Subsidies	13	-	334,500	(334,500)
8	Transfers To Other Government Units	14	739,212,158	136,271,930	602,940,228
9	Other Grants And Transfers	15	51,172,649	47,055,520	4,117,129
10	Social Security Benefits	16	55,945,487	28,244,086	27,701,401
11	Acquisition Of Assets	17	267,186,722	370,817,086	(103,630,364)
12	Other Payments	20	8,268,750	(211,867,318)	220,136,068
	Total Payments		4,031,297,539	3,113,326,584	917,970,955
	Grand Total		8,465,053,863	3,113,326,584	5,351,727,279

Consequently, the financial statements for the year ended 30 June 2018 are not in agreement with the IFMIS.

2. Cash and Cash Equivalents

2.1 Stale Cheques

The statement of assets and liabilities as at 30 June 2018 reflects a bank balance of Kshs.554,726,120 as detailed in note 21A to the financial statements. However, three (3) bank reconciliations had stale cheques totalling to Kshs.331,043 as detailed below:

S/ No	Bank Account Name	Bank Balance (Kshs.)	Stale Cheques Amount (Kshs.)
	Moi Voi Sub-County Hospital Account	5,108,239	268,688
1.	Mwatate Sub-County Hospital Account	788,791	52,532
2.	Public Service Board Account	3,282	9,823
	Total	5,900,312	331,043

No explanation was given for non-reversal of the stale cheques in the cash book. Consequently, the accuracy and completeness of the three (3) bank balances of Kshs.5,900,313 as at 30 June 2018 could not be confirmed.

2.2 Wesu NHIF Account

The statement of assets and liabilities as at 30 June 2018 reflects a bank balance of Kshs.554,726,120. Included in this balance is an account balance of Kshs.1,912,400 in respect of Wesu NHIF Account. However, the supporting bank reconciliation statement

reflects cash book balance of Kshs.1,921,402 resulting to unreconciled nor explained variance of Kshs.9,002.

Consequently, the accuracy and completeness of Wesu NHIF account balance of Kshs.1,912,400 as at 30 June 2018 could not be confirmed.

2.3 County Deposit Account

The statement of assets and liabilities as at 30 June 2018 reflects a bank balance of Kshs.554,726,120. Included in this balance is an account balance of Kshs.4,555,939 for County Deposit Account. However, the bank reconciliation statement reflects cash book balance of Kshs.2,423,498 resulting to a variance of Kshs.2,132,441 which has not been reconciled nor explained.

Consequently, the accuracy and completeness of County Deposit Account balance of Kshs.4,555,939 as at 30 June 2018 could not be confirmed.

3. Outstanding Imprests

The statement of assets and liabilities as at 30 June 2018 reflects accounts receivable - outstanding imprest balance of Kshs.18,008,152. However, records availed for audit review indicated that imprests totaling to Kshs.3,518,893 were outstanding for more than six (6) months, contrary to Section 93(5) of the Public Finance Management (County Governments) Regulations, 2015 which states that 'a holder of a temporary imprest shall account or surrender the imprest within seven (7) days after returning to the duty station'. Further, financial statements balance of Kshs.18,008,152 is at variance with the support schedule balance of Kshs.18,715,938 by Kshs.707,786 which has not been explained nor reconciled.

In addition, the outstanding imprests balance of Kshs.18,008,152 includes Kshs.3,85,360, being multiple imprests issued to staff of the County Executive, contrary to Section 93(4) of the Public Finance Management (County Governments) Regulations, 2015 which require accounting officers to ensure applicants have no outstanding imprests.

In the circumstances, the accuracy, propriety and validity of outstanding imprests balance of Kshs.18,008,152 as at 30 June 2018 could not be ascertained.

4. Unsupported Expenditure

The statement of receipts and payments for the year ended 30 June 2018 reflects total payments of Kshs.4,031,297,539, out of which an amount of Kshs.33,853,808 was not supported as detailed below:

No.		Department	Details	Amount (Kshs.)	Observations
1.		Department of water and irrigation	Travel and subsistence	2,695,500	The payment was not supported with work programmes and work tickets.
2.		Department of Trade and Community affairs	Travel and subsistence	1,720,101	The expenditure was not supported with signed schedules and work tickets.
3.		Department of Trade and Community affairs	Un- accounted for fuel	3,646,100	The consumption of fuel was not supported with fuel register.
4.		Various departments	Routine maintenance of motor vehicles and other transport equipment	7,018,607	The expenditure was not recorded in motor vehicle log books and work tickets nor supported with Engineer's pre and post mechanical inspection reports neither report of inspection and acceptance committee.
5.		Department of water and irrigation	Accommodation, Domestic Travel and Daily Subsistence Allowance	1,176,000	The allowances and travel expenses were paid to 14 County officials on inspection of unspecified water projects. Further, no work tickets and bus tickets showing how they travelled were availed for audit review nor report on the activities availed for audit verification.
6.		Department of water and irrigation	Supply of 12 Laptops, DVDs, Modems, Flash disks and Extension Cables	1,165,200	Stores records did not indicate who received the 12 laptops nor to whom they were issued. Further, ten laptops were not availed for audit verification.
7.		Various Departments	Domestic travel and Subsistence	16,432,300	The expenditure was not supported with annual activity plans, work tickets, bus tickets, meetings attendance registers nor invitation letters.
		Total		33,853,808	

In view of the above anomalies, the propriety of expenditure totaling to Kshs.33,853,808 for the year ended 30 June 2018 could not be confirmed.

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

Other Matter

1. Budgetary Control and Performance

1.1 Revenue Budget

The statement of receipts and payments for the year ended 30 June 2018 reflects County Own generated receipts totaling to Kshs.203,635,113 against a budget of Kshs.398,465,509, resulting to a shortfall of Kshs.194,830,396 or 49%. The County Executive has missed its revenue targets for the last (3) three years, as shown below:

Item	2017/2018 (Kshs.)	2016/2017 (Kshs.)	2015/2016 (Kshs.)
Budgeted own generated receipts	398,465,509	355,389,656	352,351,618
Actual own generated receipts	203,635,113	165,992,249	197,351,618
Under collection	194,830,396	189,397,407	155,000,000
% under collection	49	53	44

The under collection indicates possible weakness in revenue management in such aspects as recording of revenue and enforcement of internal control systems. This situation is likely to negatively impact on service delivery and implementation of planned programs for the residents of Taita Taveta County.

1.2 Expenditure Budget

During the year under review, the County Executive of Taita Taveta had a total budget of Kshs.5,524,403,398, comprising recurrent vote of Kshs.3,892,924,350 and development vote of Kshs.1,631,479,048. Actual expenditure was Kshs.4,031,297,539, resulting to net under absorption of Kshs.1,493,105,859 or 27 % of the budget as summarized below:

Vote	Approved Budget for 2017/2018 (Kshs.)	Actual Expenditure for 2017/2018 (Kshs.)	Under Absorption (Kshs.)	%
Recurrent Vote	3,892,924,350	3,674,452,741	218,471,609	5.6
Development Vote	1,631,479,048	356,844,798	1,274,634,250	78
Total	5,524,403,398	4,031,297,539	1,493,105,859	27

The overall under absorption of the approved budget of Kshs.1,493,105,859 or 27% indicates that some development activities planned for the year were not under taken. This may have had a negative effect on delivery of goods and services to the residents of Taita Taveta County.

1.3 Recurrent Budget

During the year under review, the County Executive of Taita Taveta was allocated Kshs.3,892,924,350 for recurrent expenditure against actual expenditure of Kshs.3,674,452,741, resulting to net under expenditure of Kshs.218,471,609 or 5.6% as detailed below:

Item	Approved Budget for 2017/2018 (Kshs.)	Actual Expenditure for 2017/2018 (Kshs.)	Under Absorption (Kshs.)	Over Absorption (Kshs.)	%
Compensation of Employees	2,409,897,142	2,080,083,939	329,813,203	-	14
Use of goods and services	981,958,540	769,609,358	212,349,182	-	22
Subsidies	375,000	-	375,000	-	100
Transfers to Other Government Units	214,825,479	614,489,019	-	399,663,540	186
Other grants and transfers	51,054,138	46,022,649	5,031,489	-	10
Social Security Benefits	56,539,635	55,945,487	594,148	-	1
Acquisition of Assets	105,250,321	100,033,540	5,216,781	-	5
Other Payments	73,024,095	8,268,750	64,755,345	-	89
Total	3,892,924,350	3,674,452,741	618,135,148	399,663,540	5.6

The under absorption of Kshs.618,135,148 may have impacted negatively on delivery of goods and services to the residents of Taita Taveta County. Further, approval of the County Assembly of the over expenditure of Kshs.399,663,540 was not availed for audit verification.

1.4 Development Budget

During the year under review, the County Executive of Taita Taveta was allocated Kshs.1,631,479.048 for development expenditure against actual expenditure of Kshs.356,844,798, resulting to under expenditure of Kshs.1,274,634,250 or 78% as detailed below:

Item	Approved Budget for 2017/2018 (Kshs.)	Actual Expenditure for 2017/2018 (Kshs.)	Under Absorption (Kshs.)	% Under Absorption
Use of goods and services	62,062,427	59,818,477	2,243,950	4
Transfers to Other Government Units	416,201,247	124,723,139	262,822,893	68
Other grants and transfers	53,327,988	5,150,000	48,177,988	90
Acquisition of Assets	1,233,465,963	167,153,182	1,066,312,781	86
Repayment of principal on Domestic and Foreign borrowing	13,000,000	-	13,000,000	100
Other Payments	(146,578,577)	-	(146,578,577)	100
Total	1,631,479,048	356,844,798	1,274,634,250	78

Analysis of the table above indicates that the County Executive under absorbed development budget by Kshs.1,274,634,250 or 78%. This means that some development projects planned for the year were not implemented as budgeted, thus negatively impacting delivery of goods and services to the residents of Taita Taveta County. There is need for the Executive to prioritise in the budget planning to target those priority projects that are to be implemented during the year for service delivery.

2. Pending Bills

Other important disclosures no. 1 on page 33 to the financial statement for the year ended 30 June 2018 reflect a balance of pending accounts payable and pending staff payable balance of Kshs.491,215,669 and 51,354,745 respectively, all totaling to Kshs.542,570,414. However, Kshs.251,436,927 in respect to pending accounts payable for department of youth and sports were omitted from the total pending accounts payable balance of Kshs.542,570,414.

Further, the pending bills are as a result of non-adherence to Section 5.2.1 of the Government Financial Regulations and Procedures which provides that 'no expenditure for which there is no budgetary allocation may be incurred'. It is therefore apparent that the management did not confirm availability of funds before signing supply contracts with the third parties.

Consequently, the validity, accuracy and authenticity of the pending bills amounting to Kshs.542,570,414 for the year ended 30 June 2018 could not be ascertained.

3. Projects Status and Implementation

Review of projects implementation status report as at 30 June 2018 availed for audit revealed that projects valued at Kshs.614,659,085 were contracted. However, only projects worth Kshs.128,362,916 or 21% were implemented, resulting to projects valued at Kshs.486,296,168 or 79% not implemented as detailed below:

Department	Contracted Amount (Kshs.)	Amount Paid (Kshs.)	Works Outstanding (Kshs.)
Education & Libraries	45,113,808		45,113,808
Livestock & Fisheries	4,276,743	1,660,760	2,615,983
Public Works	281,432,400	74,004,316	207,428,083
Trade	34,469,970	5,781,374	28,688,596
Water & Irrigation	249,366,163	46,916,466	202,449,696
Total	614,659,084	128,362,916	486,296,166

Failure to deliver projects on time means that service delivery to the county residents has been affected negatively. The implementation cost of the projects may escalate due to inflation. This is contrary to Section 149 (1) of the Public Finance and 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; lawful and authorized and that all contracts entered into by the entity are lawful and are complied with'.

Consequently, the management was in breach of the Law and the development objectives of the planned projects may not be achieved.

4. Projects Verification

Note 17 to the financial statements for the year ended 30 June 2018 reflects a balance of Kshs.159,653,169 in respect to construction and civil works. During projects verification in the month of November 2018, five projects valued at Kshs.19,325,644 were verified and anomalies noted as detailed below:

No.	Department	Project details	Amount	Observations
1	Water	Jora Rock water project – Project to harvest water	1,315,644	Kshs.1,315,644 was spent on the project and it does not harvest sufficient water for the residents and therefore value for money could not be confirmed.
2	Water	Rekeke water Project	3,010,000	The project started in November 2016 and the contract price was 17,887,854. Total payments to date is Kshs.9,589,249, out of which Kshs.3,010,000 was paid during the year under review. During the project audit inspection, the contractor was not on site and it is not clear when the project was to end as the expected completion date or duration of the contract was not indicated in the contract agreement.
3.	Water	The Red Cross water project	14,000,000	This was a partnership project between the Kenya Red Cross and the County Government. The County Government has fully paid their share totaling to Kshs.25 million, out of which Kshs.14 million was paid in March 2018. However, the Bill of Quantities and progress reports were not availed for audit review. The project was ongoing at the time of audit inspection.
4.	Education	Construction of 2 Classrooms and a kitchen at Mwanyambo Primary	500,000	The amount was for building an external kitchen which was not done.
5.	Education	Construction of ECD Classroom, Kitchen & Water Harvesting at Gimba Primary	500,000	The amount was for building an external kitchen which was not done.
	Total		19,325,644	

In the circumstances, the citizens of the County may not have received value for money on projects worth Kshs.19,325,644 for the year ended 30 June 2018.

5. Compensation of Employees

Note 11 to the financial statements for the year ended 30 June 2018 reflects Kshs.2,080,083,939 in respect of compensation of employees. Included in this amount is Kshs.115,494,866 in respect of basic wages paid to temporary employees. However, needs assessment report, advertisement of the positions, lists of those shortlisted and letters of appointment were not availed for audit review.

In the circumstances, the propriety of Kshs.115,494,866 on basic wages paid to temporary employees for the year ended 30 June 2018 could not be ascertained.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for conclusion

1. Procurement of Air Tickets and Hotel Services

Note 12 to the financial statements for the year ended 30 June 2018 reflects use of goods and services figure of Kshs.829,427,834. Included in this amount is Kshs.7,465,169 of which anomalies were noted as detailed below:

No.	Item	Details	Amount (Kshs.)	Comment/ Observations
1.	Foreign travel and subsistence	Purchase of air ticket	1,906,436	Quotations to show how the services were procured and how award was done were not availed for audit review
2.	Hospitality supplies and services	Hire of tents and conference facilities	2,588,440	Quotations to show how the services were procured and how award was

				done were not availed for audit review
3.	Hospitality supplies and services	Payment for provision of hotel service.	2,970,293	Quotations to show how the services were procured and how award was done were not availed for audit review
	Total		7,465,169	

This is contrary to Section 105 of the Public Procurement and Asset Disposal Act, 2015 which states that ‘a procuring entity may use a request for quotations from the register of suppliers for a procurement if the estimated value of the goods, works or non-consultancy services being procured is less than or equal to the prescribed maximum value for using requests for quotations as prescribed in Regulations.

Consequently, the County Executive is in breach of the law and the propriety of expenditure of Kshs.7,465,169 for the year ended 30 June 2018 could not be ascertained.

2. Failure to Prepare Revenue Annual Reports

The statement of receipts and payments for the year ended 30 June 2018 reflects County own generated receipts of Kshs.203,635,113. However, the Receiver of Revenue for County Executive of Taita Taveta did not prepare the revenue reports and submit the accounts to the Auditor-General and other offices. This is contrary to Section 165(3) of the Public Finance Management Act 2012 which provides that not later than three months after the end of the financial year, the Receiver of Revenue for the county government shall—(a) submit the accounts to the Auditor-General; and (b) deliver a copy to the National Treasury, the Controller of Budget, County Treasury, and the Commission on Revenue Allocation.

In the circumstances, the County Executive is in breach of the Law.

3. County Assembly Budget

The summary statement of appropriation: recurrent and development combined for the year ended 30 June 2018 reflects revenue budget of Kshs.5,524,403,398. Included in this amount is Kshs.602,943,870 or 11% appropriated for the County Assembly of Taita Taveta, out of which Kshs.534,861,129 or 12.06 % of the total receipts of Kshs.4,433,756,324 was transferred to the County Assembly. This is contrary to Section 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015 which states that “the approved expenditures of a county assembly shall not exceed seven per cent (7%) of the total revenues of the county government or twice the personnel emoluments of that county assembly, whichever is lower.”

Consequently, the County Executive is in breach of the Law.

4. Fixed Assets Register

The financial statements for the year ended 30 June 2018 reflects acquisition of assets of Kshs.267,186,722 as disclosed in note 17 to the financial statements. However, the summary of fixed assets at annex 5 reflects a nil balance. Further, the County Executive does not have the assets tagged, dates and cost indicated. This is contrary to Section 149(2) (O) of the Public Finance Management Act, 2012 which states that “An accounting officer shall, in respect of the entity concerned— ensure that the respective county government entity has adequate systems and processes in place to plan for, procure, account for, maintain, store and dispose of assets, including an asset register that is current, accurate and available to the relevant County Treasury.

In the circumstances, the County Executive is in breach of the law and it may not be possible to ascertain the physical existence of County Executive’s fixed assets.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion/Report on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for conclusion

1. Lack of Updated Valuation Roll

The statement of receipts and payments for the year ended 30 June 2018 reflects County own generated receipts of Kshs.203,635,113. Included in this amount is Kshs.26,886,238 in respect of plot rents as detailed in note 9 to the financial statements. However, it was noted that County Executive of Taita Taveta uses old valuation roll inherited from the

defunct Local Authorities. Further, the County Executive has not updated the valuation roll nor automated it to integrate it with the County information system.

Failure to update and automate the valuation roll may have resulted in poor revenue collection realized during the year ended 30 June 2018.

2. Revenue Collection and Management System - County Pro

The County Executive entered into a consultancy contract to implement County pro (a revenue collection system) in December 2014 at a contract sum of Kshs.27,999,320 and additional quarterly charge of 4% of revenue processed through the system for the contract period of three years. The County Treasury had accumulated contractual obligations fees amounting to Kshs.15,325,573 as at 30 June 2018. The charge for the year under review was Kshs.814,540. However, these revenue charges were not recorded, nor disclosed in these financial statements for the year ended 30 June 2018. Further, the system was withdrawn in unclear circumstances and County Executive resulted to manual revenue collection system, leading to low revenue collection and possible legal suits which have not been disclosed in these financial statements.

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 maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the County Executive of Taita Taveta 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 resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 ability to continue as a going concern. 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 County Executive of Taita Taveta to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of County Executive of Taita Taveta 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.

A handwritten signature in black ink, appearing to read 'E. O. Ouko', with three dots below the name.

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

Nairobi

07 January 2019