

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF KITUI FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements County Executive of Kitui set out on pages 1 to 49, which comprise of the statement of assets and liabilities as at 30 June, 2020, statement of receipts and payments, statement of cash flows and the 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Unconfirmed Opening Receipts and Payments Balances

The statement of receipts and payments reflects opening total receipts and payments of Kshs.9,971,765,460 and Kshs.10,402,282,601, respectively resulting to a deficit of Kshs.430,517,141. However, as reported in the previous year, the receipts and payments balances were not supported with receipt counterfoils and payment vouchers. Management had explained that the documents were destroyed during a fire incidence on 21 July, 2019 when the County Registry was burnt. The outcome of the investigations was still unknown at the time of concluding the audit.

Under the circumstances, the accuracy, completeness and validity of the receipts and payments opening balances of Kshs.9,971,765,460 and Kshs.10,402,282,601, respectively could not be confirmed.

2. Variances Between Financial Statements and IFMIS Balances

The following balances reflected in the financial statements for the year ended 30 June, 2020 were at variance with Integrated Financial Management Information System (IFMIS) trial balance as summarized below:

Component	Financial Statements Balance (Kshs)	IFMIS Trial Balance (Kshs)	Variance (Kshs)
Exchequer Releases	8,872,917,771	34,200	8,872,883,571
Proceeds from Domestic and Foreign Grants	8,455,642	0	8,455,642
County Generated Receipts	408,285,164	0	408,285,164
Compensation of Employees	4,193,011,541	4,301,776,703	(108,765,162)
Use of Goods and Services	1,782,897,070	1,653,473,417	129,423,653
Subsidies	81,274,567	81,288,050	(13,483)
Transfers to other Government Units	876,406,892	814,550,751	61,856,141
Other Grants and Transfers	709,137,655	42,635,250	657,502,405
Acquisition of Assets	2,272,008,661	2,219,708,540	52,300,121
Other Payments	100,000	1,065,000	(965,000)
Bank Balances	1,010,705,464	(5,408,586,185)	6,419,291,649
Cash Balances	1,085,538	(26,677,801,381)	26,678,886,919
Accounts Receivables- Outstanding Imprest & Clearance Accounts	5,552,900	185,835,752	(180,282,852)
Accounts Payable	198,686,201	13,933,997,693	(13,735,311,492)
Fund Balance B/F	778,681,155	(36,532,722,517)	37,311,403,672

Consequently, the accuracy and completeness of the financial statements could not be confirmed.

3. Own Generated Revenue

The statement of receipts and payments reflects county own generated receipts of Kshs.408,285,164 for the year ended 30 June, 2020. However, a review of the County revenue streams revealed that revenue from two (2) streams namely; ballast crusher at Kwa Kilui and cabro processing plant at Manyenyoni youth training centre had not been incorporated in the financial statements. No satisfactory explanation was provided despite the high revenue potential of the streams from the initial investment outlays.

Consequently, the accuracy and completeness of county own generated receipts of Kshs.408,285,164 for the year ended 30 June, 2020 could not be confirmed.

4. Compensation of Employees

4.1. Unsupported Cost of Temporary Employees

The statement of receipts and payments reflects an expenditure of Kshs.4,193,011,541 under compensation of employees which, as disclosed in Note 11 to the financial

statements, includes an amount of Kshs.420,068,878 relating to basic wages of temporary employees. However, supporting documents for the expenditure including authority from the county public service board, appointment letters and copies of the identity cards for the employees were not provided for audit review.

Consequently, the accuracy and validity of basic wages of Kshs.420,068,878 for the year ended 30 June, 2020 could not be confirmed.

4.2 Unsupported Social Security Deductions

The expenditure of Kshs.4,193,011,541 under compensation of employees also includes an amount of Kshs.5,807,118 relating to compulsory national social security schemes contributions. However, the schedule of salary deductions provided for audit revealed that NSSF deductions amounted to Kshs.1,714,645 leading to an unsupported expenditure of Kshs.4,092,473.

Consequently, the accuracy and validity of the national social security schemes contributions of Kshs.5,807,118 could not be confirmed.

5. Unsupported Use of Goods and Services

The statement of receipts and payments reflects an expenditure of Kshs.1,782,897,070 under use of goods and services which, as disclosed in Note 12 to the financial statements, includes an amount of Kshs.64,820,474 in respect of printing, advertising, information supplies and services. The latter balance includes an amount of Kshs.1,976,000, which was not supported by any documentation.

Further, the expenditure of Kshs.1,782,897,070 under use of goods and services includes an amount of Kshs.196,388,309 incurred on training expenses. However, an expenditure of Kshs.550,800 on non-pharmaceutical items was misclassified under training. In addition, procurement documents including tender evaluation reports were not provided for audit review.

Under the circumstances, the accuracy, completeness and validity of printing, advertising, information supplies and services cost of Kshs.1,976,000 and training expenses of Kshs.550,800 could not be confirmed.

6. Acquisition of Assets

The statement of receipts and payments reflects an expenditure of Kshs.2,272,008,661 under acquisition of assets which, as disclosed in Note 17 to the financial statements, includes an amount of Kshs.209,964,417 relating to construction of buildings. However, an amount of Kshs.57,561,322 in respect of transfers to village polytechnics was wrongly classified as construction of buildings.

Further, the expenditure of Kshs.2,272,008,661 under acquisition of assets also includes an amount of Kshs.212,752,553 relating to research, studies, project preparation, design

and supervision. However, the latter balance includes an amount of Kshs.17,565,729 incurred on spare parts, fittings, servicing and repairs of heavy machinery which should have been charged to repairs and routine maintenance of motor vehicles and other transport equipment budget.

From the foregoing, the accuracy, completeness and validity of construction of buildings balance of Kshs.57,561,322 and research, studies, project preparation, design and supervision balance of Kshs.17,565,729 could not be confirmed.

7. Unsupported Expenditure on Projects

7.1. Installation of Water Heating Systems at Kitui County Referral Hospital

The County Executive awarded a tender for installation of water heating systems at Kitui County Referral Hospital at a contract sum of Kshs.11,936,080 which was paid in full during the year under review. However, physical verification on 12 November, 2020 revealed that water heating systems at maternity wards 3 and 4 were not working. Further, the payment vouchers provided were not supported by the Bill of Quantities, making it difficult to determine the scope of works in the contract.

7.2. Construction of Medical Store at Kitui County Referral Hospital

During the year under review, an amount of Kshs.2,032,340 was incurred on construction of a medical store at Kitui County Referral Hospital against a contract sum of Kshs.8,749,210 and a completion date was 12 September, 2019. A physical inspection in November 2020, revealed that the project was approximately 50% complete. However, the contractor was not on site while the contract period had expired and no extension processed. Further, progress reports, Bill of Quantities and site minutes were not provided for audit review.

7.3. Construction of X-Ray Room at Kauwi Sub County Hospital

During the year under review, an amount Kshs.2,637,670 was paid for the construction of an X-ray room at Kauwi Sub County Hospital. The contract was awarded on 24 May, 2019 at a contract sum of Kshs.8,749,210 with an expected completion date of 24 September, 2019. Site inspection carried out in November, 2020 revealed that the project had stalled at approximately 30% completion level. Further, the contractor had abandoned the site since February, 2020 while the contract period had lapsed. In addition, the Bill of Quantities, site handing over minutes, contractors work plan, progress reports and valuation reports from the county works offices were not provided for audit review.

7.4. Construction of Medical Ward at Mwingi Level IV Hospital

The County Government paid an amount of Kshs.4,003,120 for the construction of a medical ward at Mwingi Level IV Hospital. The contract was awarded on 2 March, 2019 at a contract sum of Kshs.65,532,720 for a period of 18 months. Physical verification in

November, 2020 revealed the project had stalled at foundation level estimated at 1% of the construction works while the contractor had abandoned the site. Further, the approved Bill of Quantities, site handing over minutes, progress and valuation report from the county works offices and the contractors work plan were not provided for audit review.

7.5. Construction of Tuition Block at KMTC Mwingi Hospital

During the year under audit, the County Executive made payments of Kshs.851,382 towards the construction of a tuition block at the Kenya Medical Training College (KMTC) Mwingi Hospital. The contract was awarded on 4 January, 2019 at a contract sum of Kshs.17,027,650 for a duration of 9 months. However, physical verification of the project in November, 2020 revealed that the project had stalled at foundation level with only 1% of the construction works done. Further, project signage had not been erected at the site and documents relevant to the implementation of the project such as; approved bill of quantities, site handing over minutes, payment certificates, progress and valuation report from the county works officer and the contractors work plan were not provided for audit review.

Under the circumstances, the accuracy, completeness and validity of the expenditure of Kshs.21,460,592 incurred on the above five (5) projects could not be confirmed.

8. Budgetary Control and Performance

The summary statement of appropriation-recurrent and development combined reflects final budgeted and actual receipts on comparable basis of Kshs.11,795,248,963 and Kshs.10,719,357,094, respectively resulting in under-collection of Kshs.1,075,891,869 or 9% of the approved budget. The county own generated revenue budget amounted to Kshs.600,000,000 out of which Kshs.408,285,164 was realized resulting to a shortfall Kshs.191,714,735 or 32%.

Further, of the realized revenue amount of Kshs.10,719,357,094, only Kshs.9,914,836,386 was utilized resulting to an under absorption of Kshs.804,520,708 or 8% on the available funds. The underutilization of funds implies that some of the planned programmes and activities for the year were not undertaken which may have impacted negatively on the service delivery for the residents of the County.

9. Pending Bills

As disclosed in Note 7.9 on Other Important Disclosures, the County Executive had pending bills totalling Kshs.1,655,920,402 as at 30 June, 2020 as analyzed in Annex 2, Annex 3 and Annex 4. Included in the balance are pending accounts payables brought forward from 2018-2019 financial year totalling Kshs.652,034,672, some of which date far back to 2014. Management did not provide an explanation on why the long outstanding bills were not taken as a first charge and prioritized for payments in the year under audit as required by Section 41(2) of the Public Finance Management (County Governments) Regulations, 2015. The Section states that debt service payments shall be a first charge

on the County Revenue Fund and the Accounting Officer should ensure this is done to the extent possible that the county government does not default on debt obligations.

Failure to settle bills during the year in which they relate to distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

10. Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2020. Management has not provided reasons for the delay in resolving the prior year audit issues.

11. Non-Compliance with Law on Development Expenditure Threshold

The statement of receipts and payments reflects total expenditure of Kshs.9,914,836,386 comprising of recurrent and development expenditure of Kshs.7,144,129,574 and Kshs.2,770,706,813, respectively. However, development expenditure accounted for 28% of the total expenditure which is below the 30% threshold stipulated by Section 25(1) (g) of the Public Finance Management (County Governments) Regulations, 2015.

The Management was, therefore, in breach of the law.

12. Failure to Establish an Emergency Fund

The Management incurred an emergency expenditure of Kshs.34,801,661 during the year under review. However, the County Executive did not have an emergency fund in place in contravention of Section 110 of the Public Finance Management Act, 2012 which stipulates that, an emergency fund may be established to finance emergencies from appropriated funds.

Consequently, the Management is in breach of the law.

13. Irregular Payments to Council of Governors

During the year under review, the Management paid an amount of Kshs.2,500,000 to the Council of Governors which was reported under other operating expenses. This is contrary to Section 37 of the Intergovernmental Relations Act, 2012 which provides for funding of operations of the Council of Governors operation by the National Government.

The Management was, therefore, in breach of the law.

14. Unutilized Medical Equipment

The Management procured medical equipment for Kauwi Sub-county hospital at a contract price of Kshs.2,457,000 and for Katulani Sub-county hospital at a cost of Kshs.2,174,500. However, physical verification during the months of October and November, 2020 revealed that, although the equipment were delivered in October, 2018, they were lying idle in the stores instead of being tested and commissioned for the

intended use. Further, Management paid an amount of Kshs.5,780,000 for the supply of laboratory equipment to Kitui County Referral Hospital delivered on 19 November, 2018. However, a physical verification in November, 2020, revealed that two chemistry analyzers had not been commissioned and had not been put to intended use.

In the circumstances, it was not possible to confirm whether value for money has been realized on expenditure of medical equipment valued at a total cost of Kshs.10,411,500.

15. Irregular Procurement of Water Supply System

The contract for upgrading of water supply reticulation system lot 2 was awarded on 12 April, 2019 at a contract sum of Kshs.49,979,575. The contract duration was for a period of six (6) months from 15 April, 2019. The Tender Evaluation Committee carried out the preliminary, technical and financial evaluation of the tenders through the e-procurement system and issued a GOK IFMIS Evaluation Matrix Report. However, only one bidder with a bid price of Kshs.49,999,484 attained threshold mark of 70% to progress to the financial evaluation stage as was stipulated in the evaluation criteria. However, a bidder who had scored a technical score of 55% that was below the set threshold of 70% was allowed to proceed to financial evaluation stage and finally awarded the contract. This was contrary to the Public Procurement and Asset Disposal Act, 2015.

In view of the foregoing, the Management was in breach of the law.

16. Projects Implementation

16.1 Improvement of National Oil-Naivas Road

The County Executive entered into a contract with a local contractor for improvement of Naivas-National Oil road within Kitui town to bituminous standards in January, 2019, at a contract sum of Kshs.39,296,611. Physical verification carried out on 5 November, 2020 revealed a section of the road of approximately fifty (50) meters was completed only on one lane. Management explained that the contractor was not able to complete the said section as the owner of a property, which was to be demolished to pave way for the road, had sued the County Executive and obtained stay orders. However, the contractor was paid the full contract amount despite the remaining section of the road being undone.

16.2 Contract for Upgrading of Redeemed Gospel- St.Philips-Kiembeni-Igloos-Slaughter Road

The County Executive also awarded a contract for upgrading of the Redeemed Gospel-Kiembeni Road opposite Naivas to bitumen standards and Cabro paving works on 6 August, 2019, at a contract sum of Kshs.44,997,061. Physical verification carried out on 5 November, 2020 revealed that potholes had developed on a section of the road at the junction adjacent to Igloos Hotel. Further, drainage channel for part of the road near Kiembeni was poorly done as there were storm water pools on the sides of the road. However, the contractor had been paid in full and discharged of their responsibilities under the contract.

In the circumstances, value for money was not realized from the expenditure of Kshs.44,997,061 incurred on the road project.

16.3 Maintenance of Inyuu-Kamaembe-Kilingie Road

A contract for maintenance of Inyuu-Kamaembe road was awarded on 8 April, 2020 at a contract sum of Kshs.22,350,383. Physical verification carried out on 5 November, 2020 revealed that one of the culverts had developed huge cracks while the gabions constructed on section of the road had failed. However, the contractor was paid in full without remedying the noted defects.

Consequently, value for money has not been realized from the road maintenance expenditure of Kshs.22,350,383 incurred.

16.4 Construction of Water Reservoir at Mwingi Hill

During the year under audit, the County Executive awarded a contract for the construction of water reservoir at Mwingi hill at a sum of Kshs.8,691,050. Physical verification of the project done on 12 November, 2020, revealed that, the earth dam was complete and in use. However, the land on which the reservoir was constructed is a private land reported to have been donated to the community by three (3) residents as per an agreement dated 7 April, 2020. However, the owners of the land had started tiling and grazing animals on the land parcel within the dam area which could cause silting and contamination of the water.

In the circumstances, the County Executive is exposed to risk of loss of the investment made on the water dam for lack of rightful ownership to the parcels of land.

16.5 Contract for Maintenance of Kwa Kavevi - Ngengeka - Kavuta Road

During the year under review, the County Executive awarded contract for maintenance of Kwa Kavevi-Ngengeka-Kavuta road at a sum of Kshs.9,824,853. Physical verification conducted on 13 November, 2020 revealed the contractor was not on site while the completed sections of the road near Kavuta dispensary had developed defects. Gulleys had also formed on three of the culverts near the dispensary while the moldings had been eroded by storm water. The culvert at the entrance to the dispensary also had a huge crack posing a threat to the users of the dispensary. There was apparent evidence of poor workmanship on the road works coupled with delayed completion.

Consequently, value for money may not be realized with the continued delay in project implementation and failure to rectify the apparent defects.

16.6 Maintenance of AIC Mbau Thonzweni - Tumila - Ndoto Njema Road

During year under review, the County Executive awarded a contract for the maintenance of AIC Mbau Thonzweni - Tumila - Ndoto Njema road at a sum of Kshs.12,981,502. Physical verification of the project done on 12 November, 2020 revealed that the

contractor was not on site and there were notable debris at the drifts and in the culverts. Further, there was formation of gully at Tumila area which may render the road impassable.

16.7 Construction of Pay Point and Waiting area at Kitui County Referral Hospital

During the year under review the Management paid Kshs.3,712,650 for the contract for the construction of pay point and waiting area at Kitui County Referral Hospital. Physical verification carried out on 11 November, 2020 revealed that the contractor was not on site. Further, the structure although declared complete had no electrical fittings with wires hanging loosely and had a leaking roof at the pay point and the waiting area, which was damaging the ceiling.

16.8 Construction of Perimeter Wall and Fencing at Mwingi Hospital

During the year under review, the County Government paid an amount of Kshs.3,195,569 against a contract of Kshs.30,000,000 awarded on 4 January, 2019 for partial construction of perimeter wall and chain link fencing at Mwingi Level IV Hospital. The contract period which was for 5 months had since lapsed. Project verification done in November, 2020 revealed that, the project had stalled at 45% completion level while the contractor had abandoned the site. There is no evidence of the contractor having sought extension after the expiry of the contract period.

In the circumstances, I am unable to confirm whether the public will obtain value for money from the on projects.

17. Stalled Projects from Prior Years

17.1 Construction of Multi-Storey Maternity Ward at Kitui County Referral Hospital

During the year under review, an amount of Kshs.9,559,250 was paid to a contractor for the construction of a multi-storey maternity ward at Kitui County Referral Hospital. The tender had been awarded on 11 May, 2017 at a contract sum of Kshs.242,782,653 with a duration of twenty-four (24) months. However, the project file presented for audit review lacked inspection and engineer's valuation reports showing value of certified works. Further, physical verification done on 11 November, 2020 revealed that the project had stalled at slab level and the contractor was not on site.

The completion of the project is therefore doubtful and value for money may not be realized.

17.2 Construction of Amenity Block at Kitui Referral Hospital

The County Executive paid a contractor an amount of Kshs.6,533,528 during 2018/2019 financial year for the construction of an amenity ward at Kitui Referral Hospital. The contract had been awarded in 2016-2017 financial year at a sum of Kshs.144,775,000 with a contract period of 24 months. However, physical verification done on

11 November, 2020, revealed that the project had stalled at the slab level and the contractor was not on site. Further, only works valued at 16.4% had been certified despite the contract period having elapsed with no extension of time having been granted.

17.3 Construction of Outpatient Block at Mutomo in Kitui South Sub-County

A tender for construction of Outpatient Block at Mutomo in Kitui South sub--county was awarded in the year 2016/2017. Physical verification done in November, 2020 revealed that the project had stalled at the foundation level. The construction was only 2 courses above the ground while the floor slab had not been done. The contractor had demobilized and the site abandoned. The Management, however, did not invoke clause 6 of the contract agreement and Section 140 of the Public Procurement and Asset Disposal Act, 2015 which stipulates the liquidated damages for delayed performance of contract.

17.4 Construction of Mortuary at Mwingi Level IV Hospital

A tender for construction of mortuary at Mwingi Level IV hospital was awarded on 2 March, 2017 at a contract sum of Kshs.20,508,600. During the physical verification done on 12 November, 2020, it was observed that roofing and ceiling had been done which is approximately 80% level of construction works. However, doors, windowpanes, electrical fittings and wiring, plumbing and installation of the machines had not been done. It was further noted that there was poor workmanship since the ceiling was leaking and the contractor had abandoned the site and works had stalled.

17.5 Construction of Maternity Ward at Nuu Sub-County Hospital

A tender for construction of Maternity Ward at Nuu sub-county hospital was awarded in 2016-2017 financial year at a sum of Kshs.5,095,090. However, physical verification on 11 November, 2020 showed that the project had stalled at the roofing stage which is approximately 70% level of construction works and the contractor was not on site. It was further noted that doors, windows, plastering, painting, electrical fittings and wiring and flooring had not been done. There was no evidence of approval of contract time extension.

17.6 Construction of Outpatient Department at Zombe Health Centre

A tender for the construction of outpatient department at Zombe Health Centre was awarded in 2016-2017 financial year at a sum of Kshs.7,835,005. Physical verification done in November, 2020 revealed the project had stalled at the ground /slab level which is approximately 5% level of construction works while the contractor was not on site.

17.7 Construction of Mortuary Building at Kitui County Referral Hospital

A tender for construction of Kitui Mortuary was awarded in 2018/2019 financial year at a sum of Kshs.3,145,177. However, physical verification on 11 November, 2020, revealed that the project had stalled at the walling stage which is approximately 30% level of the building construction and vegetation and bushes had grown inside the incomplete building. It was further noted that roofing, doors, windows, plastering, painting, electrical

fittings and wiring, fixtures and fittings and flooring had not been done. The contractor was not on site and there was no evidence of approval of contract time extension.

17.8 Construction of Blood Transfusion Satellite Building at Kitui County Referral Hospital

Physical verification of projects in Kitui County Referral Hospital during the year, revealed that the construction of blood satellite building which started in 2017/2018 financial year had stalled at walling stage. Further, roofing, doors, windows, flooring, plastering, painting, electrical wiring and fittings had not been done and the contractor was not on site.

In the circumstances, I am unable to confirm when and whether the public will get value for money on the public resources spent.

18. Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

The statement of receipts and payments reflects compensation of employees expenditure of Kshs.4,193,011,541 for the year under review representing approximately 42% of the total revenue of Kshs.9,954,812,932 (excluding Returned CRF issues). Consequently, the compensation of employees cost exceeded the set threshold of 35% stipulated under section 25(1) of the Public Finance Management (County Government) Regulations, 2015.

Consequently, Management is in breach of the law.

19. Non-adherence to One Third Basic Salary Rule

Analysis of the payrolls revealed that nineteen (19) employees drew net salary that was below one third of their basic pay contrary to Section 19(3) of the Employment Act, 2007 which requires that the total amount of all deductions which may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of the basic pay.

In the circumstance, the Management is in breach of the law.

20. Non-compliance with Law on Ethnic Composition

Review of human resource records revealed the County Executive had a total of 3,721 employees out of which 3,142 or 84% were from the dominant local community in the County. This is contrary to the provisions of the National Cohesion and Integration Act, 2008 which stipulates that at least 30% of employees should be from communities other than the dominant one.

Consequently, the Management is in breach of the law.

21. Irregular Operation of Commercial Bank Accounts

As disclosed in Note 21 A to the financial statements, the County Executive operated thirty-seven (37) bank accounts. Analysis of bank details revealed that thirteen (13) accounts were in the Central Bank of Kenya (CBK), while the remaining twenty-four (24) bank accounts are held at various commercial banks. This is contrary to the provisions of Section 82(1)(b) of the Public Financial Management (County Governments) Regulations, 2015 which stipulates that all County Governments bank accounts should be maintained at the Central Bank of Kenya except for imprest account.

Consequently, the Management is in breach of the law.

22. Unbanked Revenue

Included in the receipts is an amount of Kshs.12,916,368 being revenue collected during the year but unbanked as at 30 June, 2020. No explanation was provided for failure to bank contrary to the provisions of Section 63(4) of the Public Finance Management (County Governments) Regulations, 2015.

23. Lack of County Public Service Board and Approved Staff Establishment

During the year under review, the County Executive did not have a County Public Service Board. This hinders effective performance of the human resource function since the Board is empowered with:- (i) establishing and abolishing offices in the county public service; (ii) appointing persons to hold or act in offices of the county public service including in the boards of cities and urban areas within the County and to confirm appointments; (iii) exercising disciplinary control over, and removing persons holding or acting in those offices;(iv) preparing regular reports for submission to the County Assembly on the execution of the functions of the Board. Further, the County Executive did not have an approved staff establishment structure in place. It was therefore not possible to determine the approved staffing levels.

In the circumstances, it was not possible to confirm existence of effective controls on staffing levels including governance.

24. Non-disclosure of Revenue Arrears

Examination of reports from the Local Authority Integrated Financial Operation Management System (LAIFORMS) revealed that the County revenue arrears stood at Kshs.434,976,562 as at 30 June, 2020. However, there was no evidence of measures put in place by Management to collect the revenue.

In the circumstances, it was not possible to confirm existence of effective revenue collection measures.

25. Lack of Risk Management Policy and Disaster Recovery Plan

The County Executive does not have a risk management policy, and disaster recovery and business continuity plan to help prevent and mitigate against risks when they occur. This is contrary to the provisions of Section 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that County Governments should develop risk management strategies which include fraud prevention mechanisms and a system of risk management and internal control that builds robust business operations.

26. Grounded Motor Vehicles

During the year under review, it was observed that fifty-two (52) motor vehicles mostly inherited from defunct local authorities were grounded and in deplorable state. No explanations have been provided on why the vehicles were not repaired or disposed- off to prevent further deterioration and wastage.

27. Lack of Personal Numbers and Personal Identification Numbers (PIN)

During the year under review, the County Executive had a total of 2,149 ECDE teachers as per the payroll data provided for audit. However, the analysis of the payroll revealed that, ninety-seven (97) teachers did not have payroll numbers. It was therefore not possible to determine what method of identification the County uses to identify the said teachers.

Further, a review of the July, 2020 manual payroll revealed that the following six (6) personnel were sharing Kenya Revenue Authority (KRA) Personal Identification Numbers (PINs) as detailed in the table below:

	PF. NO.	KRA PIN
1.	2013070684	A007401690P
2.	2013072109	A007401690P
3.	2013071992	A007401902A
4.	2013071963	A007401902A
5.	2013071707	A007400413W
6.	2013070310	A007400413W

No explanation was provided for the anomaly.

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. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the County Executive's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to dissolve the County Executive or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matter described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of the County Executive of Kitui in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

01 October, 2021