Institute of Economic Affairs

COUNTY BUDGET FOCUS

November 2023

Analysis of the Auditor General's Reports on the Financial Statements of the County Executive (2020/21 – 2021/22)

Kitui County

1.0 Introduction

The Constitution of Kenya 2010, Article 229(1) establishes the office of the Auditor General who shall be nominated by the President and, with the approval of the National Assembly, appointed by the President. The Auditor General is required to audit and report on the accounts of any entity that is funded from public funds and the audit report confirms whether or not public money has been applied lawfully and in an effective way. Counties through the County Executive Committee member for finance may establish other public funds with the approval of the County Executive Committee and the County Assembly. The administrator of these county public funds is required to prepare accounts for the fund for each financial year not later than three months after the end of each financial year and submit financial statements relating to those accounts to the Auditor-General and the County Assembly. The Auditor General is required by law to produce an audit report within six months after the end of each financial year. Thereafter, the Auditor General shares the report with the County Assemblies and is required to publish these reports within fourteen days after submitting the report to the County Assemblies.

The audit report upon submission to the County Assembly is scrutinized by the County Assembly's Public Accounts Committee (PAC) where the county public officers share insight on the audit queries. The Public Audit Act (PAA) section 50(2) requires PAC to complete the scrutiny process within a span of three months upon receipt of the report. After the discussions are complete with PAC, the county shall within 3 months after the county assembly recommendations take the relevant steps to implement the recommendations.

The County Chief Officer of finance is responsible for reporting any suspected offences to the relevant authorities and if there are any criminal matters arising from the report, the police, the Anti-corruption Commission (EACC), Director of Public Prosecution (DPP) and any other relevant body may take up the offences committed. Often when the audit queries are reluctantly addressed it may lead to increasing misuse of public resources which is not healthy for programme implementation at the county level. It is therefore prudent for citizens, CSOs and the media to always be on the lookout whenever the PAC report has been released and published and check what issues have been resolved and what remains unresolved from the original auditor general report.

2.0 Significance of the Audit Findings

The Constitution of Kenya 2010, requires the auditor general to regularly publish and publicize the audit reports. These reports are usually technical in nature and Civil Society organizations can play a good role in reviewing these reports to make them simpler for citizens to engage meaningfully.

The audit findings are important as they help the governments and institutions to put in place systems that safeguard its internal operations and help governments or institutions to apply corrective actions which can translate into some cost savings and overall realization of management system goal and improved service delivery .The findings help the county concerned to determine whether there are conditions dealing with irregularities, waste, inefficiency, conflict of interest and control weaknesses.

This therefore forms the basis of analyzing a simplified Kitui County Auditors General's report on the financial statement for financial years 2020/2021 and 2021/2022. This analysis is for engagement with Civil Society Organizations and County Assembly watchdog committees to promote transparency and accountability in resources management.

Classification of Audit issues

Audit issues can be classified as follow;

Table 1: Classification of audit issues

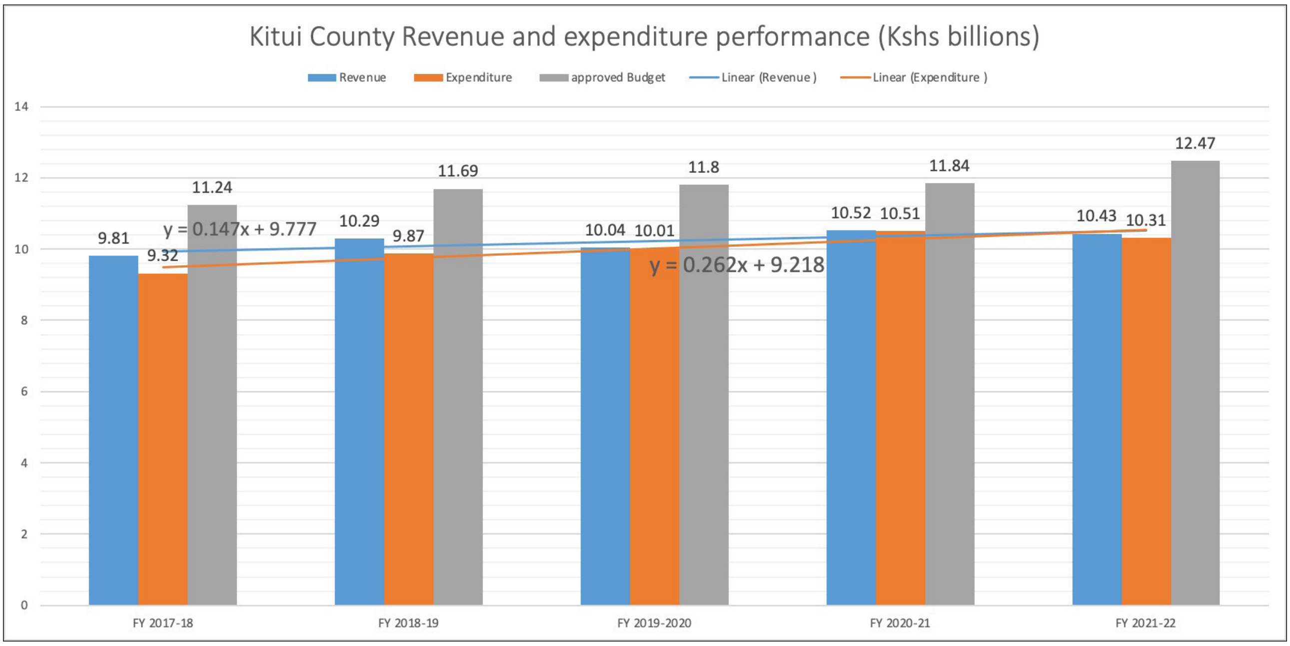
1.0 Lack of supporting documents	• Failure to provide records • No documentary evidence
2 .0 Violation of financial regulations	• Irregular expenditure • Unbudgeted expenditure • Ineligible expenditure • Violation of public procurement regulations
3.0 Pending bills	• Bills not paid during the year • Failure to settle pending bills
4.0 No value for money	• Poor quality/harmful purchases • Nugatory expenditure – no economic return to the government
5.0 Failure to reconcile books of accounts	• Variance in cash and bank balances • Unexplained/unreconciled variance • Unexplained difference. Accuracy of opening balance and closing cannot be confirmed
6.0 Long outstanding balances	• Long outstanding uncleared debtors • Long outstanding bills
7.0 Others	• Weak internal control systems

Source: Author's Compilation from Auditors General's report

3.0 Overall Expenditure

Figure 1 shows the trends in total expenditure and revenue for five financial years beginning 2017/18. It is these revenues and expenditures that the auditor general reviews, audits and expresses an opinion regarding whether the facts in the financial statements are presented truly and fairly. Total expenditure for Kitui County shows a general upward trend, with an annual increment averaging Ksh 0.26 billion while the annual increment average at Ksh 0.15 billion.

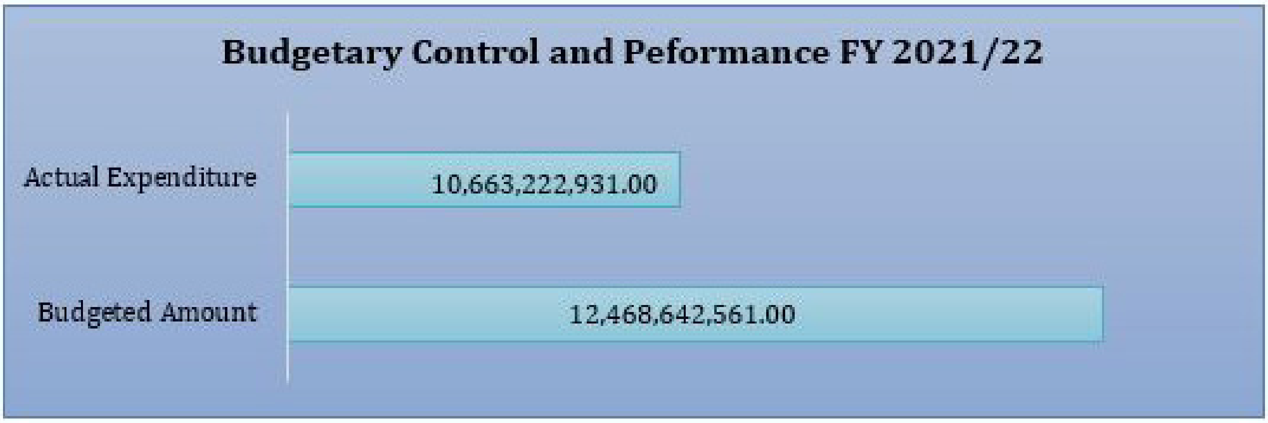
Figure 1: Trends in total expenditure and revenue, FY 2017/18 -2021/22



Source: Office of Controller of Budget Reports

A review of County Budget implementation report from FY 2013/2014 to 2021/2022 from the office of the controller of budget shows that the county was funded from several sources of revenue to enable it undertake its activities and meet its financial obligations of service delivery. Figure 1.0 shows a trend of revenue received and the amount the county was able to absorb over a period of five years. From the year 2018-19, the county government of Kitui received more than 10 billion shillings to fund its operations. The highest funds disbursed in the years analyzed was 10.52 billion in the year 2020-2021.It was however noted that the controller of budget underfunded the approved budgets for the county over the years as shown in figure 1.0. which hamper county operations for non-realization of revenue factored in the budget. In the FY 2020-21 the budget of 11.84 billion was funded to a tune of 10.52 billion. This implies that 11.15% of budgeted activities were not funded. Subsequently in the FY 2021-22 the approved budget was 12.47 billion upon which the controller of budget disbursed 10.43 billion that's 16.4 % of the activities were not funded.

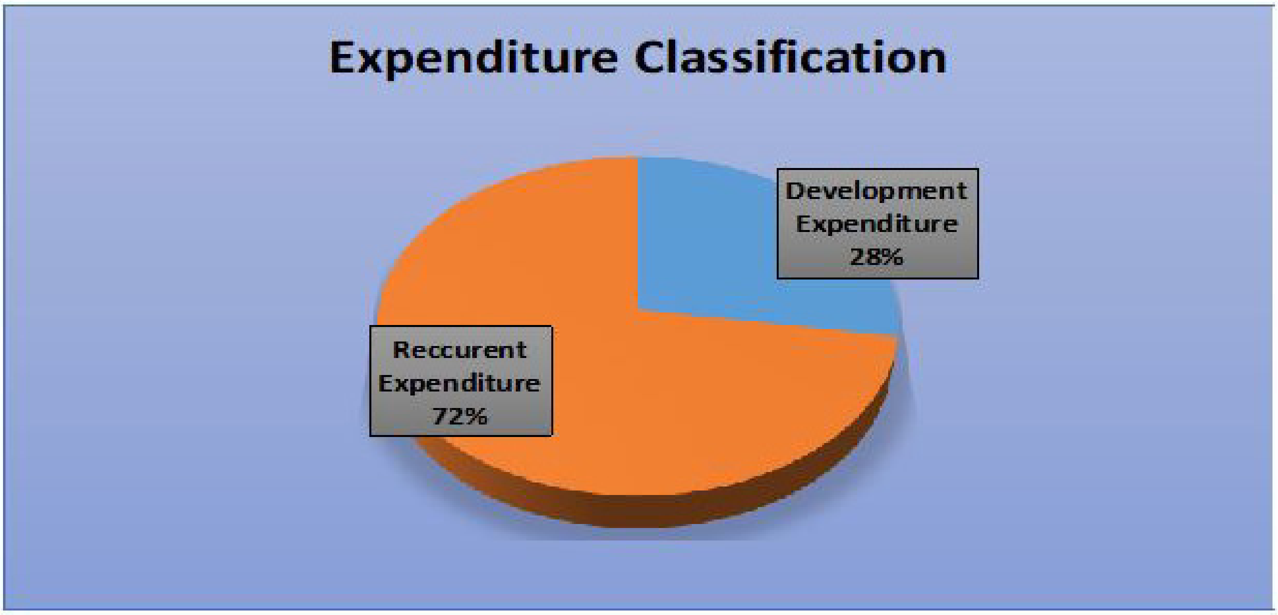
Figure 2: Budget and expenditure performance FY 2021/2022



Source: Office of Auditor General Reports

The auditor general's statement of comparison revealed that the county expensed a total of 10.66 billion against a total budget of 12.47 billion. The rate of under absorption was at 14% meaning the county failed to spend a whooping Kshs.1, 805,419,630. The bulk of the funds that were not used were for acquisition of assets and compensation to employees, accounting for 56% of underutilized funds amounting to Kshs.1, 017,763,217. The management of Kitui County failed to fully implement projects, programs of a similar amount, thereby denying the residents goods and services worth 1.8 billion.

Figure 3: Expenditure classification for FY 2021/2022



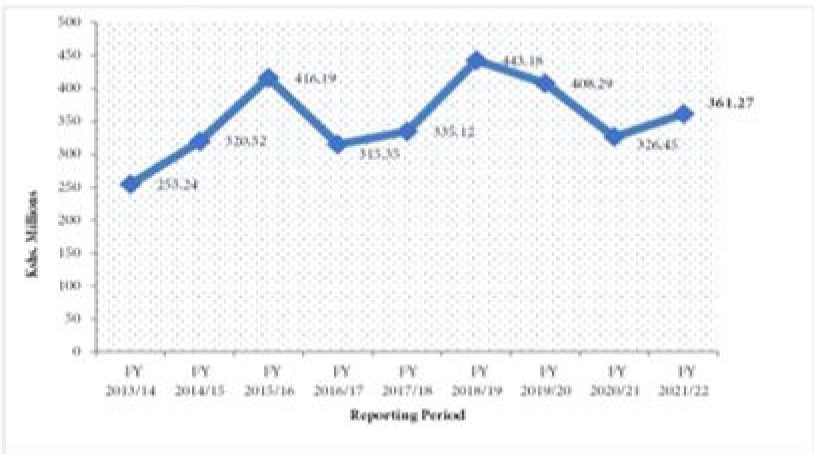
Source: Controller of Budget reports FY2022/2023

In addition, total development expenditure amount of Kshs.2, 937,582,068 accounted for 28% of the total expenditure amount of Kshs.10, 663,222,931 which is below the 30% threshold stipulated by Section 25(1)(g) of the Public Finance Management (PFM) (County Governments) Regulations, 2015.The PFM Act 2012 and its regulations 2015 require that national government and county governments allocate at least 30% of their budget to capital expenditure.

Revenue Under Collection

The table below shows the annual trends in revenue collection for the county of Kitui over the past nine years. From the year 2018/19, the county recorded a level of decline in own of revenue collection from ksh 443.18 million to ksh 361.27 million in the year 2021/22. The data available from the audit reports and the reports of the office of the controller of budgets suggest that there are systemic weaknesses in the system used to collect and report own source revenue. It is likely that the amounts reported are not a true reflection of the performance of own generated revenues. The county must aim to strengthen internal control mechanisms with all revenue collection points like health facilities, Cess and Land rates to ensure a true reflection of actual collections. Own source revenue is an area of potential growth that will ensure better service delivery to the people of Kitui County. Full implementation of the revenue collection system and linkage to county bank account will ensure accountability and transparency in revenue collection. This has been lacking as evidenced in the audit reports compiled by the OAG over the years shown in the table above.

Figure 3: Expenditure classification for FY 2021/2022



Source: Kitui County Treasury

4.0 Overview of Audit Findings

4.1 Audit Opinions

The auditor general's report was based on three key parts used to assess and form the audit opinion for Kitui County; the areas reviewed were as follows:

a) Report on the **Financial Statements** that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

b) Report on **Lawfulness and Effectiveness in Use of Public Resources** which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.

c) **Report on Effectiveness of Internal Controls, Risk Management and Governance** which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

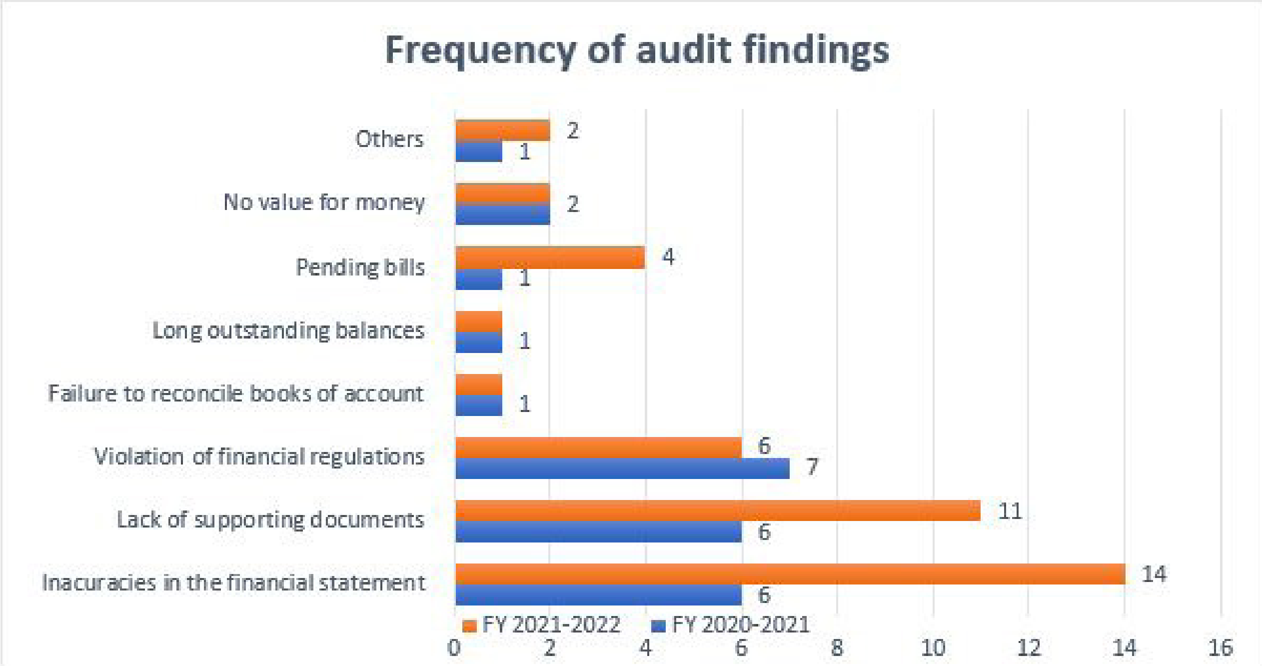
On the basis of the above parameters, the auditor general gave a qualified audit opinion for financial year 2020/21 and 2021/2022. This is an improved score from financial years 2018/19 and 2019/20 that registered disclaimer score attributed to a fire outbreak that razed down the finance office. The audit report shows there is room for improvement if audit issues from the previous auditor's general report are addressed.

Table 2:Trends of Audit Opinion from FY 2018/2019 – 2021/2022

Category	FY 2018/2019	FY 2019/20	FY 2020/21	FY 2021/22
Opinion	Disclaimer	Disclaimer	Qualified	Qualified

Source: Office of Auditor General Reports

Figure 5: Frequency of audit findings



Source: Office of Auditor General Reports

The table above analyzes the likelihood of an audit query to occur in the various classes of audit matters. In the year 2020-2021, the auditor general highlighted seven instances where financial regulations were violated. There were also high incidents in inaccuracies in the financial statement and lack of supporting documents that registered 6 audit queries each. In the subsequent year 2021-2022, the auditor general confirmed that there was an unprecedented rise in the inaccuracies in the financial statement, registering 14 audit queries. Lack of supporting documents also rose from 6 incidents to eleven in the year under review. Violation of financial regulations slightly declined from seven to six matters flagged by the auditor general.

As evidenced in the table above, and in previous years of audit, Lack of supporting documents, violation of financial regulations and pending bills account for 72% of audit issues raised. There is need to review and implement measures that will ensure these key areas are addressed in subsequent years for better service delivery and public confidence in the management of county resources.

4.2 Share distribution of the queried amounts by audit issues

The queried amount is the share of total expenditure that in the opinion of the auditor general has not fully complied with the stipulated audit template and regulations. A high percentage of the queried amount points to mismanagement of public funds, contrary to the provisions of the set laws and principles that govern prudent management and use of public funds. In the year 2020-2021, the auditor general queried audit matters regarding the use of county government spent a total of 10.51 billion in the year 2020-2021; out of which 8.62 billion used had audit queries the queries constitute 82% of total expenditure. The county needs to look into financial regulations that constitute 50.69 % of all the amounts queried in the year 2021/2022. Specifically, there is need to comply with the employment law to ensure the county abide by the law on national integration of recruiting 30% of the non-dominant ethnic group. Long outstanding balances and pending bills also contribute to audit queries. The county should endeavor to follow the law in treating pending bills and outstanding balances as first charge in subsequent years.

Table 4: Trends of Audit Opinion from FY 2018/2019 – 2021/2022

Audit issues raised by the auditor general in FY 2020-2021			
Audit Issues Raised	Specific Issue Raised	Amount Queried	Percentage Queried
Inacuracies in the financial statement	Differences Between Financial Statements and (IFMIS) Balances		
	Inaccuracies in Comparative Balances from previous balances		
	Misclassified Expenditure on Routine Maintenance of Other Assets	8,857,076	0.10%
	Misclassified Expenditure on Purchase of Reusable Masks	5,499,975	0.06%
	Misclassified Expenditure on Department of Health	29,752,278	0.35%
	Inaccuracies in County Own Generated Receipts	11,476,042	0.13%
Lack of Supporting Documents	Unsupported Expenditure on Routine Maintenance	2,250,124	0.03%
	Unsupported Prior Year Adjustments	23,643,073	0.27%
	Decline in County Own Generated Revenue	316,244,636	3.67%
	Three senior staff members recruited without proper documents		
	Lack of Status Report on County Legal Cases	18,291,584	0.21%
	Lack of an Approved Staff Establishment		
Violation of Financial Regulations	Failure to Observe Cut-Off Procedures	2,073,067,631	24.06%
	Undisclosed Revenue Arrears	435,461,858	5.05%
	Exceeding Limit on Personnel Emolument Expenditure	4,296,737,801	49.87%
	Exceeding required staff ethnic composition		
	Non-Compliance with the One-Third Basic Salary Rule		
	Irregular Award of Tenders	3,386,549	0.04%
Long outstanding balaces	Unresolved prior year matters	1,089,367,344	12.64%
No value for money	Stalled Projects in the minisry of health	95,896,378	1.11%
	Lack of Training Need Assessment	206,107,472	2.39%
		8,616,039,821	**100.00%**

Source: Office of Auditor General

In the year 2021-2022, The OAG reports revealed the frailties in management of Kitui county finances. The auditor general queried a total of 8.71 billion from the total expenditure of 10.31 billion which is extremely significant amount of 84% higher than the 82% registered in the preceding financial year.

More than half of the queried amounts point to blatant and persistent violation of financial regulations as witnessed in the prior year reports. The single most contributing factor is the amount paid for employee compensation with the county having a total expenditure of 4.3 billion and 11.6% of this amount are payments to employees flagged out by the auditor general for not having supporting vouchers. Pending bills is also an Achilles' heel accounting for 26% of the queried amount, this is a significant rise from the 13% registered in the preceding year. Whereas inaccuracies in the financial statement and failure to reconcile books of account did not have a direct monetary value they both point to fundamental weaknesses in the accounting and internal audit departments that have continually been flagged by the OAG reports yet no corrective measures have been put in place in the subsequent years. The table below shows the classification of the audit matters, the amount queried and the percentage of the queried amounts in the financial year 201-2022.

Table 5: Audit Queries FY 2021/2021

Audit Issues raised by the auditor general for FY 2021-2022			
Audit Issues Raised	Specific Issue Raised	Amount Queried	Percentage Queried
Inaccuracies in The Financial Statement	Variances between Financial Statement and the IFMIS Balances	n/a	n/a
	bank reconciliation for all Central Bank of Kenya (CBK)		
Lack of Supporting Documents	Acquisition of Assets, Acquisition of Land	1,828,000.00	0.02%
	Addition of non-current assets	450,000.00	0.01%
	Unsupported Expenditures on Fuel Oil and Lubricants	4,525,324.00	0.05%
	revenue from public health facilities	188,556,171.00	2.16%
	unbanked cash from received from point-of-sale gadgets	10,488,599.00	0.12%
	Rent of county stalls	1,999,300.00	0.02%
	Business Permits	61,506,705.00	0.71%
	Uncollected outstanding Land Rates (LAIFOMS)		
	Basic Salaries paid without supporting documents	499,942,735.00	5.74%
	Irregular Payment of Prime Costs and Provisional Sums	4,362,243.00	0.05%
	Contract extension without approval	4,995,000.00	0.06%
Violation of Financial Regulations	No bank reconciliation of (CBK) account attached		
	Unremitted Retirement Benefits Contributions	22,117,103.00	0.25%
	Limit on Personnel Emolument Expenditure	4,325,180,836.00	49.66%
	Failure to update assets register	62,599,137.00	0.72%
	Extension of Contract Period without Approval	4,995,000.00	0.06%
	Anomalies in Use of IFMIS Procurement Process		
Failure to reconcile books of account	Variances between Financial Statement and the IFMIS Balances		
Long Outstanding Balances	Pending Bill from 2015/16	348,098,676.00	4.00%
Pending Bills	Accounts payable	1,735,281,542.00	19.92%
	Staff Payables	1,195,000.00	0.01%
	Other pending bills	74,467,796.00	0.85%
	Stalled projects	499,555,498.00	5.74%
No Value for Money	Delayed project Completion-Muuani Elevated Tank and Pipeline Extension	4,809,755.00	0.06%
	Rehabilitation of the Waste Management and Disposal System	3,146,800.00	0.04%
	Ethnic Diversity in Employment not achieved		0.00%
Others	Budgets Prepared for approval before public participation	824,500,000.00	9.47%
	Irregular Procurement of Insurance Cover for Motor Vehicles	25,393,129.00	0.29%
		8,709,994,349.00	**100.00%**

Source: Office of Auditor General

5.0 Unresolved Prior year Issues

Most of the matters under scrutiny by the auditor general were raised in the previous year's audits. The inability of the county management to address these issues raises serious questions with regards to commitment to better service delivery. Moreover, the matters are mostly in violation to existing laws and regulations, making the accounting officers individually liable for the highlighted offenses.

The county finance office has failed to reconcile the books of account over the years, this has seen variances between book balances and integrated financial management platform. The tribal composition of the county staff has been an audit issue over the years, as well, yet there seems to be no corrective measures put in place. Several regulations have been violated in discharging the financial mandate by the officers involved. The county needs to train and equip their staff with the necessary skills and knowledge to be able to discharge their mandate. A continuation of the trend on financial violation and lack of supporting documents would otherwise be interpreted as a deliberate attempt to manipulate financial reports and documents in an attempt to conceal or support misappropriation of public funds. The table below highlights the audit matters the OAG identified as being repetitive from the previous years.

Table 6: Unresolved prior years FY 2021/2022

Unresolved Prior Year Matters in 2021-2022 Audit		
Audit Issues Raised	Description	Implications
Bank Reconciliation	bank reconciliation for all (CBK) accounts not attached	Management failed to comply with the reporting template
Ethnic Diversity in Employment	85% of county staff are from the dominant community	the County Government was in breach of the law on national integration, recruitment of 30% non dominant ethnic group
	30% of recruited staff are not from other communities	
Unremitted Retirement Benefits Contributions	Kshs.22,117,103 for retirement contributions for County employees not paid	breach of Section 104(1)(e) of the Public Finance Management Act
	County Management failed to develop and manage framework of debt control	
Personnel Emolument Expenditure	Compensation to employees was 39% of revenue	Breach of Section 25(1)(a) and 25(b) of the P.F.M (County Governments) Regulations, 2015
	The law limits compensation at 35% of total revenue	
Lack of Approved Staff Establishment	County lacks an approved staff establishment	It's not possible to confirm optimal and appropriate staffing levels
		contravention to County Public Service H. R Manual 2013 section B 6(3)
Stalled Projects	Department of health stalled projects	No value for money realized
Irregular Recruitment of New Employees	relevant documentation were missing	County Management was in breach of law
	recruitment not based on fair competition & merit	
Lack of an Updated Assets Register	assets register not updated to include new assets	contrary to regulation 136(1) of the P. F .M
	trail and safe custody of assets can't be ascertained	
Irregular Payment of Prime Costs and Provisional Sums	Payment not approved by the accounting officer	Management breached Section 139(2) of Public Procurement and Asset Disposal Act, 2015
Public Participation	Budgets were approved before public participation	Contravened Section (2) of the P.F.M Act of 2012.
	Public participation done after budget was approved	
Irregular Procurement of Insurance Cover for Motor Vehicles	Contract awarded as an extension without fresh tendering	violation of Section 103(1) and (2)(a) of Public Procurement and Asset Disposal Act of 2015

Unresolved Prior Year Matters in 2021-2022 Audit		
Audit Issues Raised	Description	Implications
Extension of Contract Period without Approval	Extension of contract after three years without approval	Contravened Section 139(2) of Public Procurement and Asset Disposal Act, 2015
Anomalies in Use of IFMIS Procurement Process	procurement plans, participation of bidders in meetings and digital signatures certificates were not done	Violation of regulation 49(2) of the Public Procurement and Assets Disposal Act Regulations, 2020
Delayed project Completion Muuani Elevated Tank	Muuani Elevated Tank and Pipeline Extension is delayed	contractor violated terms of the contract
	a certificate of completion was issued for the project	
	Physical inspection showed the project was abandoned	Value for money was lost
	Contractor had been paid 85% of the contract sum	
Rehabilitation of the Waste Management and Disposal System	No Bills of Quantities(BOQs)	value for money incurred was not realized
	Inspection committee failed to highlight defects	
Delayed project Completion, construction of pump house	contract agreement did not have a contract end date	residents are denied of benefits that would have accrue from the complete project
	Project was 55% complete without any payments made	
	Inspection revealed contractor had abandoned the site	
Execution of Civil Works Contracts-Kyaoni water project	No supporting documents for payment and execution	Management was in breach of the law
	Not possible to confirm the project's implementation and payments status	
Award of Contract to Un-Registered Supplier	consultant was registered by the County for supply of certified seeds, tree seedlings, fungicides, insecticides and sprays for the years 2021 to 2022	contravention of Section 95(3) of Public Procurement and Asset Disposal Act of 2015
Funding of Self-Help Projects by Ministry of Livestock, Apiculture and fisheries	Groups were funded without public participation	Did not comply with Section 214(b) of Public Finance Management
	Groups had no capacity to handle the exotic breeds and therefore were not able to achieve their goals	
Delay in Completion of Kithomboani Modern Market	Did not comply with Section 214(b) of Public Finance Management	Delay has denied the residents of Kitui essential services
	Contract expired without renewal, project is incomplete	The management contravened section 151(2) of the Public Procurement and Assets Disposal Act,
Irregular Legal Expenses	Engagement of consultants without the approval of the County Executive Committee	contrary to Section 16(1-3) of the County Attorney Act of 2020.
Construction of Kwa Ngelu-Mwaani-Kamweu-Thwake Dam Road	it was not in use as it was blocked halfway denying access to the rest of the road	Residents have been denied the value for many invested on the project
Funding of projects under National Government Function	Funding to Primary and secondary school that are under the direct management of national government	Contravention of Fourth(4th) Schedule of the Constitution of Kenya, 2010
Failure to Observe the One Third Basic Rule	(25) employees drew net salaries that were below one third of their basic pay	Contrary to Section 19(3) of the Employment Act, 2007
Irregularities in Training Expenses	no evidence was provided to confirm that the County Executive established a training committee	britch of Section 9.6 of the County Public Service Human Resource Policy and Procedures Manual 2015
Failure to prepare and Submit Account for Receiver of Revenue	Management did not prepare and submit accounts for the revenue	Contrary to Section 65 of Public Finance Management Act, 2012
Lack of Risk Management Policy and a Disaster Recovery Plan	No risk management policy	Section 158(b)(1) of the Public Finance Management
	No risk assessment carried out in the financial year	
	No disaster recovery and business continuity plans	

Source: Office of Auditor General

6.0 Implication of the audit issues

Most of the audit issues are attributed to failure to adhere to laws that govern public finance management. The county government of Kitui has demonstrated lack of commitment in correcting the audit issues raised by the OAG. This implies a growing trend in blatant disregard of the law, rules and regulations that are meant to guide and demonstrate accountability and effective use of public resources. If the accounting officers are committed to making changes as recommended in the last published analysis, then the residents of Kitui County will definitely get better service delivery and realize a greater value for money on the funds invested.

7.0 Opportunity Cost

Spending of scarce financial resources calls for weighty tradeoffs because expenditure of a particular item implies unavailability of funds for other areas that would have otherwise benefited from the same amount of funds. Residents suffer huge losses when expenditure do not meet the intended purpose. The projects highlighted below point to opportunity costs arising from financial commitments undertaken by the Kitui county executive for the financial year 2021/22;

- Provision of healthcare services is a core mandate of the county government. The county committed to spend Ksh. 499,555,498 in healthcare facilities that were never completed. The Auditor general in trying to ascertain the specific project revealed that the project files were not provided for audit verification and information available indicated that the projects started way back in 2017. The people were denied access to medical services that would have been tenable had the project been completed. The county government cannot show value for money for such an expensive venture.

- The county is undertaking various water related projects that are aimed at boosting access to clean and safe water for the residents. The OAG report highlighted stalled or incomplete water project across the county i.e. Muuani Elevated Tank and Pipeline Extension, Rehabilitation of the Waste Management and Disposal System at a slaughterhouse, Delayed Project Completion-Construction of Pump House Equipped with Power at Nzeeu River and execution of Civil Works Contracts-Kyaoni water project. These projects have denied the residents of Kitui access to clean and safe water that would eventually reduce their productivity and food security. The lack of clean and safe water makes residents prone to water borne diseases.

8.0 Recommendations

Review of the previous year matters shows that the management of Kitui County have not taken measures in rectifying previous audit issues. The issues, in our opinion, are easily rectifiable by use of the internal control measures identified by the auditor general. It is our recommendation that:

a) The County assembly need to provide its oversight role and compel the County Executive addresses the pending Unresolved Prior Year audit queries

Kitui County executive should ensure that unresolve audit current issues as raised by the Auditor General are addressed appropriately. Especially in areas of no value for money in order to achieve the county's development agenda and enhance service delivery. There should be proper checks and balances in the county internal control systems so as to ensure effective and efficient use of public resources.

b) County Accounting Officers Adherence to the use of Integrated Financial Management Information System (IFMIS) Platform

IFMIS is a public Finance Management (PFM) system that is aimed at improving transparency and accountability. It supports core PFM functions of budget formulation and execution, public procurement and financial reporting. Kitui County accounting officers must adhere strictly to the use of the IFMIS platform when capturing all the county transactions. This will help in solving glaring differences in the financial statements and IFMIS balances. Beyond assisting in the reduction of operational ineffectiveness and the risk of fraud, the widespread application of IFMIS has a room to open up data analysis possibilities among other benefits that can make budgeting and planning easier and more effective. During the audit of FY 2021-22 finances, the AOG highlighted variances between the financial statement and IFMIS platform of Ksh. 974,663,390 for Kitui County. There were reported disparities about the same in the year 2020-21. Additionally, procurement plans, participation of bidders in meetings and digital signatures certificates were not done through e-procurement system as required.

c) The County Assembly through Public Investment and Accounts committee (PIAC) ought to make follow up on unsupported employee costs flagged out by OAG report

In the statement for receipts and payment for the year 2021-22, the county government reported an amount of Ksh. 3.85 billion paid towards basic salaries. A review of available records shows an amount of Ksh 499,942,735 that could not be explained thus the auditor could not confirm the validity of this payment. The county government is therefore encouraged to comply with the law and abolish the manual payroll system used concurrently with the online system. The county has over the years used more than recommended revenues to remunerate their staff. Some of the staff payments are questionable and unverified. The online payment platform will help clean the payroll and ensure staff compensation aligns to actual county staff.

d) Prioritization of verified long outstanding pending bills Payment -The County Assembly must insist on accounting officer's prioritizing of verified long outstanding payment of pending bills.

Section 53 (8) of the Public Procurement and Asset Disposal states that "An accounting officer shall not commence any procurement proceeding until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in its approved budget estimates". Therefore, all verified long outstanding pending bills need to form a first charge in any succeeding years for the County of Kitui. Financial statement shows a balance of pending bills of Ksh. 1.8 billion however, further scrutiny revealed that included in that amount is Kshs. 348,098,676 relating to pending bills of FY 2015-16. This amount should have formed the first charge of the FY 2016-17 hence its existence in the books to date is a violation of the law.

e) The County Executive be compelled through the Budget and Appropriation Committee and CSOs to invest and embrace Information and communications technology (ICT) in revenue administration.

The county reported own source revenue of Kshs. 316.2 million in the year 2020-21 while schedules presented for audit proved that the revenue collected was Kshs. 326.5 million resulting in unexplained variance of Kshs. 10.2 million. Subsequently, in the year 2021-22, the revenue of Ksh.188.6millions generated from health facilities were not properly supported. These point to weaknesses in own source revenue collection and reporting systems. It is possible for the county to boost revenue collection through own sources by ensuring, accountability, transparency and prudential reporting of revenues realized through the various collection points. The revenue system should be fully integrated with county banking platforms to ensure accuracy and accountability of revenue collection staff.

f) The County Executive need to put in place a Risk Management and Disaster Recovery Plan

The Public Finance Management (County Government),2014 section 158(1) stipulates that County Governments should develop risk management and internal control that builds robust business operation. By the end of FY 2021/2022, Kitui County does not have in place a risk management policy and disaster recovery plan in place. However, it was noted that there is a draft undergoing review for purpose of approval and implementation. Consequently, there was no risk assessment carried out for the entity during the year under review. Further, information provided also indicated that the County Government does not have in place a disaster recovery and business continuity plan contrary to provisions of Section 158(b)(1) of the Public Finance Management (County Governments) Regulations, 2015.

g) County Assembly and CSOs to compel County Executive to maintain an updated Asset Register

The County financial statements reflected an amount of Kshs.113,832,659 in respect of acquisition of Specialized plant, Equipment's and Machinery. Included in this amount are assets worth Kshs.8,095,339 and Kshs.54,503,798 procured by the Office of the Governor and the Ministry of Trade, Cooperatives and Investments respectively during the year under review. However, the assets register had not been updated to reflect the new acquisitions. This is contrary to regulation 136(1) of the Public Financial Management (County Governments) Regulations of 2015, that requires the Accounting Officer to maintain an updated assets register. In absence of an updated assets register, the trail and safe custody of the assets could not be ascertained.

h) CSOs to advocate for employment compliance by the executive with respect to law on ethnic composition

The County government of Kitui is in breach of the law on Ethnic Composition as per Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community". Section 65(1)(e) of the County Government Act 2012 states that in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county. An analysis of the June, 2021 payroll revealed that the County Executive had a total of 3,510 permanent and pensionable employees out of which 2,975 (83%) were from the dominant ethnic community in the county.

i) There is need for the county executive to comply with the Law on Fiscal Responsibility-Wage Bill

The statement of receipts and payments in the audit report showed that compensation of employees amount of Kshs.4,325,180,836. This expenditure is equivalent to 39.4% of the total receipts of Kshs.10,980,411,887 thus non-adherence to Public Finance Management (PFM) Fiscal Responsibility Principles-Limit on personnel emolument expenditure The spending exceeded the threshold of 35% prescribed in Section 25(1)(a) and 25(b) of the Public Finance Management (County Governments) Regulations, 2015.

8.0 Conclusion

The Auditor General opinion on Kitui County executive financial has improved over the years with the county being granted a qualified opinion in the year 2021/2022. Efficient and effective use of public resources should be adhered to by all the county departments for better service delivery to citizens. It is therefore important for watch dog committees in the county assembly and CSOs to exercise oversight and actions on the audit queries shared by the auditor general. Furthermore, there is need for the county executive to take action on all the unresolved prior queries so that the county can improve in getting a cleaner audit opinion in future audits.

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Glossary

Term	Meaning
Audit Query	This is the clarification sort by the auditor general on a specific issue in order to make a conclusion during the audit process
Emphasis of the matter	This refers to a paragraph that is included by the auditor in his report to direct attention of users of financial statements to a matter that has been discussed appropriately in the financial statement (usually a disclosure
Pending bills	These are bills which are yet to be settled by an entity during the reporting period the financial year under auditing or unsettled financial obligation that occur at the end of the financial year as a result of failure to pay for goods and services that has been properly procured
Stalled incomplete projects	A stall project is that one project that is still active but for a given reason has no actions pending or cannot move forward
Unsupported expenditure	All expenditures must be supported by adequate for example original copy of receipts, invoices or even bills
Value for money	Refers to whether something that is well worth the money spent on it.

COUNTY BUDGET FOCUS

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