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REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF VIHIGA FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of County Executive of Vihiga set out on pages 1 to 28, which comprise the statement of financial assets and liabilities as at 30 June 2017, and the statements of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts: 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 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.

In addition, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate audit evidence to confirm that public money has been applied lawfully and in an effective way.

Basis for Disclaimer of Opinion

1. Accounting Omissions and Inaccuracies in Financial Statements

1.1 Failure to Prepare Trial Balance

An analysis of the quarterly reports revealed that the County Treasury failed to prepare quarterly trial balance statements to help correct errors of omission and commission in its financial accounts. Although the trial balance as at 30 June 2017 was submitted for audit, its accuracy could not be confirmed since the balances reflected therein differed significantly from identical account balances reflected in the financial statements. In addition, detailed ledger balances were not submitted to support the sums reflected in the trial balance. Further, the Executive incurred expenditure totaling Kshs.331,012,116 outside of the Integrated Financial Information and Management System (IFMIS) and which expenditure was not supported by general ledger entries.

1.2 Unreconciled Statement of Cash Flows

The statement of cash flows, cash and cash equivalents balance does not tally with the summary statement of appropriation balance as the two records reflect a difference of

Kshs.771,180,022. Further, in the statement of cash-flows, the difference between the closing cash balance of Kshs.356,509,778 varies significantly with the opening cash balance of Kshs.335,195,712 but the two balances have not been reconciled. In addition, the statement of cash flows does not tally as it contains an unreconciled difference of Kshs.24,067,229.

1.3 Variance Between Financial Statements Balance and Schedules

Included in the acquisition of assets balance of Kshs.776,520,291 under construction of roads and rehabilitation and renovation of plant, machinery and equipment is Kshs.287,509,664 and Kshs.118,060,338 respectively which balances however do not agree with the amounts of Kshs.280,055,064 and Kshs.117,847,338 respectively provided in respect of these accounts in support schedules. Further, the schedules do not agree with the ledger balances as analyzed below:

	Expenditure Schedule Kshs.	F/S Kshs.	Variance Kshs.
Construction of Roads	280,055,064	287,509,664	(7,454,601)
Rehabilitation and Renovation of plant ,Machinery and equipment	117,847,338	118,060,338	(213,000)

1.4 Understatement of Social Security Benefits

Included in the statement of receipts and payments is Kshs.76,502,170 for social security benefits which though supported with schedules, is not recorded in the general ledger as required.

1.5 Failure to Disclose Liability under Social Security Benefits

The accounts payables balance of Kshs.135,043,437 reflected in the statement of assets and liabilities excludes Kshs.12,897,705 due to the Lap-trust Fund which the defunct local authority and the County Government failed to pay. The unpaid amount includes the principal and accrued interest of Kshs.4,042,696 due from the County Government and historical debt from local authorities of Kshs.8,855,008 all totaling to Kshs.12,897,705.

In view of the anomalies noted, the correctness of the financial statements cannot be confirmed.

1.6 Unexplained Drop of Revenue from Own Source

The financial statements for the year under review indicate that the County's own generated receipts reduced from Kshs.138,938,281 in the year 2015/2016 to Kshs.102,445,789 in the year under review, reflecting a decrease of Kshs.36,492,492 or 26.3%. In addition, an adjustment of Kshs.7,424,200 that reduced the revenue collections balance to Kshs.109,869,989 was not supported with adjustment

schedules and therefore its validity could not be confirmed. Further, variances totaling Kshs.4,328,051 between revenue collected and banked from July, 2016 to November, 2016 were not explained by management. .

2.0 Compensation of Employees

2.1 Incorrect balances in the Financial Statements and Failure to Adhere to Budgetary Provisions

The approved budget for compensation of employees for the financial year under review was Kshs.1,475,914,100. However, the County apparently incurred expenditure totaling Kshs.1,689,516,805 on the item leading to over-expenditure of Kshs.213,602,705.

Further, the financial statement balance of Kshs.1,689,516,805 does not agree with the balance of Kshs.1,526,422,038 shown in the supporting schedule resulting in an unreconciled variance of Kshs.163,094,767.

2.2 Failure to make Recoveries on Staff Advances

Salary advances amounting to Kshs.1,437,835.00 issued to eleven (11) officers during the year under review had not been recovered as at 30 June 2017 contrary to applicable provisions in the County human resource policy guidelines. Management did not explain why the recoveries were not made. Further, some recoveries were effected four to five months after advances were issued.

2.3 Irregular Issuance of Advance Salaries

The Executive paid four (4) staff members a total of Kshs.445,912 as salary advances despite the four (holding balances of Kshs.324,400 in unrecovered advances as detailed below:

Names	Date	Monthly Bal B/D Kshs.	Amount Advanced Kshs.	Total Payables Kshs.
Hon. Caleb Amaswache	01/07/2016	176,400	360,000	536,400
Joyce Wangoi Gallo	01/07/2016	50,000	50,000	100,000
Hajira Wabwire Ali	01/07/2016	78,000	10,912	88,912
Silvia Vihenda	01/07/2016	20,000	25,000	45,000
		324,400	**445,912**	**770,312**

No plausible explanation has been provided by management for the irregular expenditure.

2.4 Irregular Recruitment of Staff on Contract

Included in the Compensation of Employees balance of Kshs.1,657,005,914 is Kshs.202,000,000 paid to four hundred (400) casual staff recruited on a one-year

contract during the year under review without any evidence of advertisement and interview. The Executive did not specify the terms and conditions of service for this category of employees. Further, Kshs.74,000,000 was paid to casuals working in Vihiga, Mbale, Luanda and in the departments of health, gender and sports and trade under unclear circumstances. It was noted that the casual employees have been engaged by the Executive from the year 2013/2014 but they have not been considered for permanent employment as required under labour laws. Also, the Executive has not published its staff recruitment and casual employees engagement policy to guide in its human resource management.

2.5 Unclear Staff Allowance Payments

Included in the compensation of employees figure of Kshs.1,689,516,805 are allowances paid to officers of various cadres totaling Kshs.346,266,613 as analyzed below:

	Type of allowance	Kshs.
1	Prosecutorial Allowance	1,150,000
2	Extraneous Allowance	180,823,908
3	Top up allowance	56,000,000
4	Administrative Allowance	1,100,000
5	Personal Allowance	26,402,935
6	Transport Allowance	80,789,770
	Total	**346,266,613**

However, the County Public Service Board and Human Resource department did not maintain clear records on category of personnel entitled to these allowances and their grades. In addition, the Department of Finance did not maintain a ledger to indicate how these figures were arrived at. Further, the detailed breakdown of these figures and the relevant circulars were not provided for verification contrary to Section C.23 of the Public Service Commission Human Resource Policy Manual, 2016.

In the circumstances, the propriety of the compensation of employees expenditure incurred during the year under review could not be confirmed.

3. Use of Goods and Services

The use of goods and services expenditure of Kshs.809,602,530 is supported with a summary of expenditure schedules instead of a list of actual payments as required. Further, there is an unexplained variance of Kshs.272,514,669 between the schedule summary balance of Kshs.537,087,861 and the financial statements balance of Kshs.809,602,530. Further the schedule summary was not in agreement with ledger balances as required in good book keeping practice.

Consequently, it has not been possible to confirm authenticity of the expenditure of Kshs.809,602,530 incurred on use of goods and services.

4. Other Grants and Transfers

The statement of receipts and payments includes payments of Kshs.4,269,459,541 which in turn includes Kshs.339,929,466 for other grants and transfers which were not supported with appropriate ledger balances or schedules. Further, the schedules availed for verification did not show payment voucher numbers and as a result, it was not possible to confirm the accuracy and validity of the amounts reported in the financial statements:

Item	Amount (Kshs)
Scholarships and other Educational Benefits	206,792,602
Emergency Relief and Refugee Assistance	115,174,622
Other Grants	17,962,242
Total	**339,929,466**

In the circumstances, it was not possible to confirm whether the entire expenditure of Kshs.4,269,459,541 reported under grants and transfers were used for the intended purposes.

4.1 No Value Obtained from Collapsed ECD Classroom

The project implementation report of the Department of Education indicated that an ECDE classroom at Asing'o collapsed while undergoing construction. However, the contractor was paid Kshs.716,815 for 'work done' but there was no evidence to show that technical officers were involved in the evaluation of the works to guide in approval of the payments. Similarly, there was no evidence on file to confirm that the project was supervised by the relevant ministry. In view of these anomalies, it was not possible to confirm that the work was done according to specifications and required standards.

4.2 Irregular Supply and Delivery of ECD Chairs and Tables

A local firm was contracted to supply and deliver 400 hardwood branded ECD tables and 4000 hardwood branded chairs at a contract sum of Kshs.7,900,000. However, no advertisement of the contract was done in any of daily newspapers even though the procurement qualified for national tender status as defined in Section 96(2) of the Public Procurement and Assets Disposal Act, 2015. In addition, there was no contract agreement and the contractor was registered as a road works contractor and not a supplier of furniture and related equipment. Further, the contractor delayed in meeting the contract conditions and project timelines. Delivery notes presented for audit review indicated that only 1,777 chairs and 183 tables were supplied. It was not made clear by management when the balance of 2223 chairs and 217 tables would be supplied.

4.3 Irregular Procurement of Works for the Rehabilitation of Itando Talent Centre

Included in the acquisition of assets balance of Kshs.776,520,291 is expenditure totaling Kshs.118,060,752 incurred on rehabilitation and renovation of plant, machinery and equipment which in turn includes Kshs.2,000,000 paid to a local firm on 8

September 2016 for rehabilitation works at Itando Talent Centre. The contract sum was Kshs.10,007,830 and yet the engineer's estimates amounted to Kshs.7,370,207. No budget had been prepared for the rehabilitation works. In addition, there was no evidence that the works were advertised as open tender given the value. Further, the contractor did not submit his credentials including certificate of incorporation, certificate from the National Construction Authority and the Kenya Revenue Authority Pin and the tax compliance certificates prior to award of the contract.

4.4 Irregular Procurement of Sports Equipment

Included in the acquisition of assets balance of Kshs.776,520,291 is purchase of household furniture and institutional equipment of Kshs.23,649,310 which in turn includes Kshs.8,683,365 for procurement of sports equipment by the Department of Gender, Culture, Youth & Sports. However, proper procurement procedures were not followed in the procurement of the goods since the suppliers of the items were not prequalified. Further, relevant documents such as technical specifications for the items procured, goods inspection and acceptance committee reports and distribution schedules for the equipment supplied were not availed for audit verification.

4.5 Un-Accounted for Stores

The Department of Public Service and Administration paid a total of Kshs.865,919 to various suppliers for supply of stores as analyzed in the table below. However, no records were made available for audit verification to show how the fuel paid for was drawn and entries, if any, made in the daily transport motor vehicle work tickets to show consumption of the fuel. This was contrary to the requirements set in Regulation 133 (3) (b) of the Public Finance Management (County Governments) Regulations, 2015. Further, no records were availed to show how the uniforms were received and distributed to the user department:

Date	Payee	PV No.	Details	Amount (Ksh)
29.07.2016	Tuskys Supermarket Limited	245(b)	Supply of Uniform for Security Officers.	365,920
20.06.2017	Trojan International Limited		Supply of Fuel	500,000
			Total	**865,919**

4.6 Unverified Sourcing of Contractor

The Department of Public Service and Administration paid a local service provider Kshs.1,200,000 being the cost of fumigation and cleaning the office of the Governor. However, it was not possible to confirm how the contractor was identified

since no records were made available to confirm that the services were sourced competitively.

4.7 Unverified Stakeholders` Meetings

Included in the use of goods and services balance of Kshs.89,602,530 is Kshs.23,958,649 for communication, supplies and services which in turn includes Kshs.11,667,000 paid by the Department of Public Service and Administration to cater for stakeholders` meetings. However, it was not possible to verify the occurrence of those meetings, as apart from the agenda for the meetings, there was no other information on record. Therefore, the caliber of the stakeholders, facilitators and the rates payable to the participants were not disclosed and as a result, the propriety of the expenditure reported to have been incurred could not be confirmed.

4.8 Award of Contracts to Unregistered Contractors

The list of contractors obtained from the Department of Transport and Infrastructure indicated that 128 contractors were awarded contracts for civil works at a total contract sum of Kshs.970,447,372 out of which Kshs.333,564,708 was paid. However, the contractors were not registered with the National Construction Authority as required under Section 15 sub-sections (1) and (3) of Part III of National Construction Authority Act, No.41 of 2011 as They were not listed in the portal maintained by the National Construction Authority for registered contractors. It was therefore not clear how the contractors were awarded the contracts.

4.9 Payments for Previous Years Procured Civil Works

During the year under review, the Department of Transport and Infrastructure procured civil works under the Kenya Roads Board totaling Kshs.65,831,208 out of which works valued at Kshs.32,927,735 were paid for in the year. Aggregate payments for civil works amounted to Kshs.326,635,634 out of which payments totaling Kshs.293,707,899 were for civil works done in previous years leaving only Kshs.32,927,735 for the year under review. Further, summarized certificates were prepared without reference to bills of quantities and payments were supported by certificates only. Details on works executed, as outlined in the respective bills of quantities, were missing. For instance, certificate No.1 indicated certified works valued at Kshs.29,260,000 and certificate No.3 denoted works worth Kshs.6,080,000 both totaling to Kshs.35,340,000 but the contract sum amounted to Kshs.30,800,000. Management has not explained the excess expenditure amounting to Kshs.4,540,000.

4.10 Omission of Expenditure Items

Two payment vouchers for expenditure totaling Kshs.2,635,955 incurred by the department of Water and Natural Resources were not captured in the recurrent expenditure schedule availed for audit verification as detailed below:

PV No	Date	Payee	Description	Amount Kshs.
374	29 August 2016	KPLC	Payment for electricity consumed	2,037,445
12	02 August 2016	KPLC	Payment for electricity consumed for Kaimosi Water Supply month of April	598,511
	Total			**2,635,955**

5.0 Unaccounted for Expenditure

5.1 Water and Natural Resources

Payments totaling Kshs.4,564,751 for expenditure incurred by the Department of Water and Natural Resources were not duly supported with relevant documents and therefore were not accounted for;

Pv. No.	Date	Payee	Description	Amount Kshs	Remarks	Amount Unaccounted for – Kshs.
D97	25/10/2016	KPLC	Payment for consumption of electricity by the water supplies Unit	2,020,950	Kshs.746,333 not supported	746,333
289	9/2/2017	KPLC	Payment for consumption of electricity by the water supplies Unit	2,171,767	Kshs.696,510 not supported	696,510
280	30/01/2017	KPLC	Payment for consumption of electricity by the water supplies Unit	2,288,213	Kshs.131,108 not supported	131,108
D207	29/11/2016	Aroken Contractors	Final payment for protection of water springs in North east Bunyore Ward	990,800	No supporting documents attached	990,800
D123	4/11/2016	Montolivo Holdings Ltd	Part payment for protection and rehabilitation of six water springs in Lugaga-Wamuluma Ward	1,000,000	No supporting documents attached	1,000,000
D144	4/11/2016	Beneda Enterprises	Construction of public sanitation facility at Keveye Girls school	1,000,000	Not supported	1,000,000
		Total		**9,471,730**		**4,564,751**

5. 2 Department of Trade

The Departments of Trade made several payments totaling Kshs.2,438,000 during the year under review. However the payments were not properly supported and accounted for as explained below:

PV No.	Date	Payee	Description	Amount Kshs.	Remarks	Amount Unaccounted for – Kshs.
224	26/01/2017	M/S Roddy's Eco-Cover	Payment for provision of catering services	1,065,000	Procurement details, no user requisition, no details of what event was being catered for	1,065,000
230	10/01/2017	M/s Interworld System	Payment for provision of assorted items	418,000	No procurement details. No I$A Certificate. No details on beneficiaries	418,000
434	02/11/2016	M/s Hemara Motel Ltd	Payment for provision of catering services and training facilities	960,000	No procurement details, payment was made on behalf of County Empowerment Fund (CEF) which has its own budget and funds. Attendance schedules not genuine.	255,000
51	06/09/2016	Geoffrey Ayiecho	Claim of allowance for officers who took part in collection of revenue during Miss Tourism Kenya Final in Vihiga County	400,000	No claim of allowance. No schedule of rates used.	400,000
149	27/10/2016	Trojan International Ltd	Purchase of fuel	300,000	No fuel register. Quotations. Unregistered supplier	300,000
				3,143,000		**2,438,000**

5.3 Irregular Payments for Public Participation

Included in the use of goods and services balance of Kshs.809,602,530 is a sum of Kshs.23,958,649 incurred on communication, supplies and services which in turn includes Kshs.4,598,000 paid by the Department of Public Service and Administration for public participation activities in budget of 2016/2017 financial year as analyzed below. However, public participation activities are supposed to be conducted by the County Executive Committee Member for Finance.

Date of payment	Payee	PV No.	Amount (Kshs)
30.06.2017	Wilberforce Lumumba	550	1,755,000
19.04.2017	Andrew Edebe	405	2,475,000
27.09.2016	Wilberforce Agesa	086	368,000
		Total	**4,598,000**

Consequently, the accuracy of the procurement of goods and services expenditure totaling Kshs.809,602,530 incurred in the year under review could not be confirmed.

6. Acquisition of Assets

6.1 Failure to Maintain an Assets Register

Note 10 to the financial statements reflects acquisition of assets costing Kshs.776,520,291 by the County Executive during the year under review. However, the assets were not posted in an assets register, contrary to Regulation 136(1) of the Public Finance Management Act, 2015 (County Government), as the County Executive does not maintain one.

6.2 Irregular Procurement of Mini Bus

The County Executive through the Department of Gender, Youth, Culture and Sports procured a bus from General Motors East Africa Limited during the year under review. The requisition dated 10 February 2017 shows that the budget for the bus was Kshs.4,800,000 but the bus was procured for Kshs.5,140,000 resulting in an excess expenditure of Kshs.340,000. Further, the bus was delivered on 31 May 2017 but no payment had been made to the supplier as at the time of the audit. Further, the contract agreement between General Motors and the County Executive was not filed in the respective file and as a result, the terms and conditions for the purchase could not be confirmed.

6.3 Un-supported Expenditure

Included in the acquisition of assets balance of Kshs.776,520,291 is Kshs.2,500,000 for overhaul and refurbishment of vehicles and other transport equipment and Kshs.18,375,300 for construction of civil works. However the balance was not supported with schedules to show details of the expenditures.

6.4 Stalled Projects

The County Executive through the Ministry of Environment, Natural resources, Water and Forestry made payments totaling Kshs.10,380,050 to two (2) local companies for four civil works projects. However, audit verification revealed that all the four projects were not operational as analyzed in the table below:

Pv No	Date	Description	Amount Kshs.	Remarks
D150	19/10/2016	Payment for drilling and developing of Lunza and Ebuyalu boreholes	2,000,000	There was no electric power connection and thus the boreholes were not put to use.
D325	24/05/2017	Final payment for Viyalo-Kilingili pipeline extension from Mbale	1,780,050	The water kiosk was not put to use after it was erected

		water supply		
D07	04/10/2016	Payment for extension of Viyalo-Kilingili water pipeline	1,000,000	The water kiosk was not put to use after it was erected
D330	4/05/2017	Part payment for construction of Gisambai Majengo Water project	5,600,000	Electricity was not connected to the power house and the water pump has not been delivered.
			10,380,050	

Further, although the contracts had expired, they were not extended or terminated.

6.5 Overpayment on Purchase of Unauthenticated Land

During the year under review, the Department of Lands, Urban Areas, Housing and Physical Planning paid Kshs.1,500,000 to a seller as a final payment for purchase of a parcel of land measuring 1.2 hectares and identified as N/MARAGOLI/GAVUDIA/44. The cumulative payments for acquisition of the land amounted to Kshs.4,000,000. However, the land was valued at Kshs.3,800,000 as per the valuation report prepared by a local valuer. The Executive did not explain why the land was purchased at a cost above its valuation price. Further, no title deed was availed for confirmation of transfer of ownership to the County Executive upon full payment.

6.6 Irregular Overrun of Budget Approval

The Department of Education, Science and Technology contracted two local contractors for construction of workshops/administration blocks and ECD classrooms. The budget for the projects was Kshs.17,750,000 while the contract sum for all the four projects was Kshs.21,271,551 thus resulting to an over-expenditure of Kshs.3,521,551. Further, construction of two polytechnics namely Shiru Polytechnic and Ebusiratsi Polytechnic stalled and as at the time of the audit, the contractors were not on site. A third polytechnic Muhudu Polytechnic was incomplete.

In view of the many anomalies noted, it is was not possible to confirm the accuracy and beneficial ownership of the assets valued at Kshs.776,520,291 acquired during the year under review.

7. Accounts Receivables – Outstanding Imprests

7.1 Wrong Classification of Outstanding Imprests

Included in the accounts receivables balance of Kshs.15,824,211 is Kshs.13,263,985 for outstanding imprests as at 30 June 2017 . However, the balance should have been reflected under the cash and cash equivalents account balance. Therefore, the outstanding imprest was wrongly classified as accounts receivables and hence reduced

the cash and cash equivalents balance. The classification of the imprests was contrary to Section 213 of the County Financial Accounting and Reporting Manual.

7.2 Irregular Imprests and Missing Records

The Executive did not avail the Integrated Financial Management System (IFMIS) imprest register and schedule showing the names of officers with outstanding imprests, dates of issue and amounts supporting the balance of Kshs.13,263,985 disclosed in the financial statements. Failure to make full disclosure contradicted Section 9 of the Public Audit Act, 2015.

In the circumstances, it was not possible to confirm the accuracy of the accounts receivable balance as at 30 June 2017.

7.3. No Designated Standing Imprest Holder

Examination of the cash book showed that a total of Kshs.697,000 was withdrawn from the bank account and held as cash-at-hand for office use as analyzed in the table below. However, there was no evidence of any officer having been designated as the standing imprest holder for the County Public Service Board and it was not made clear how much float was required in the Office. In addition, no separate cash book (memorandum cash book) was maintained to record and account for the standing imprest. Further, payment vouchers showed that that temporary imprest amounts advanced were not entered in the imprest register:

Date	Payee	Cash book folio	Amount (Kshs.)
13.10.2016	Beatrice Makungu	6	90,000
18.10.2016	Beatrice Makungu	6	100,000
27.10.2016	Beatrice Makungu	7	87,000
11.11.2016	Beatrice Makungu	7	96,000
18.11.2016	Beatrice Makungu	7	134,000
18.11.2016	Beatrice Makungu	7	190,000
		Total	**697,000**

Date	Imprest holder	PF No.	Imprest Warrant No.	Amount (Kshs.)
29.08.2016	Beatrice Makhungu	1991000903	2123771	158,400
12.01.2017	Brucenoah Khamisi	Not indicated	2125860	60,000
11.01.2017	Brucenoah Khamisi	Not indicated	2125872	30,000
05.01.2017	Jane Nyonje	Not indicated	2125875	3,000
			Total	**251,400**

Further, a total of Kshs.19,758,000 was withdrawn from the bank account operated by the Department of Public Service and Administration. The same was brought into the till (cash column of the cash book) for office use. However, there was no evidence of any officer having been designated as the standing imprest holder. In addition, there was no indication of the maximum amount of cash allowed to be at hand at any given time. Further, no separate cash book (memorandum cash book) was maintained.

7.4 Irregular Issuance of Imprests

Review of imprests warrants issued during the year under review revealed that Kshs.18,725,937 was issued out as imprest to various officers. However, the number of days that each imprest holder was to be away from the office was not disclosed. Further, personal numbers of some applicants and date of issue were not disclosed. Imprests worth Kshs.1,106,600 were issued to an officer in the Department of Finance and Planning but the purpose of the imprests was not disclosed.

Management has not provided a plausible explanation for the anomalies in issuance of imprests.

7.5 No Authorized Signatories

Officers of various departments were allowed by their respective Chief Officers to authorize and approve payment vouchers on behalf of the Accounting Officer. According to Section 45 (3) and (4) of the County Governments Act, 2012 a Chief Officer is responsible to the respective County Executive Committee Member for administration of the respective county department. The Chief Officer is the authorized officer in respect of exercise of delegated powers.

Consequently, transfers totaling Kshs.339,929,466 reported in the financial statements under other grants and transfers were effected through authority that was delegated irregularly.

8. Cash and Cash Equivalents

8.1 Un-availed Bank Account Balances and Cash Survey Reports

The County Executive did not avail important records on the accounts detailed in the table below for audit verification. The Board of Survey report was not availed for verification of the cash in hand balance of Kshs.48,348 as at 30 June 2017. Further, a proper reconciliation was not done for the County Central Bank of Kenya Development Account disclosed to have held a balance of Kshs.14,716 as at 30 June 2017.

Bank name, Branch and Account Number	Account Description	FY2016/2017 Kshs.	Un-availed Items
Revenue Collection - A/C 1140749552	Collection Account	1,540,476	Cashbook, Reconciliation statement, bank statement

Vihiga County Revenue Fund- 1000171456 CBK	CRF	489,903,868	Bank Statement
Vihiga County Development Account -1000170794 CBK	Development	14,716	Bank Statements
Vihiga County Deposit Account - 1000283645 CBK	Deposits	117,459	Bank Statements
Vihiga County Road Levy Fund- 1000283653 Cbk	Fuel Levy	41,664,741	Bank Statements
Development Operations Co-op Bank - A/C 01141471295000	Development	-	Bank Statements
Revenue Collection - A/C 1140749552	Collection Account	1,540,476	Bank Statements

8.2 Variances in Cash-in-Hand Balances

The County Executive's Central Bank of Kenya recurrent account cashbook had a cash balance of Kshs.10,287,012 as at 30 June 2017. The financial statements on the other hand disclosed a cash-in-hand balance of Kshs.48,343 resulting in a variance of Kshs.10,238,669 which was not reconciled.

8.3 Variances in Bank Balances

Note 11 to the financial statements shows a balance of Kshs.533,251,324 which includes the balances shown in the table below that do not however agree with the closing cash balances reflected in the cashbook of the respective accounts resulting in an unexplained difference of Kshs.9,441,085.

Bank name, Branch and Account Number	Account Description	FY2016/2017 Financial statements Kshs.	Cashbook Balance Kshs.	Variance Kshs.
Vihiga County Road Levy Fund- 1000283653 CBK	Fuel Levy	41,664,741	30,440,052	11,224,689
Development Operations Co-op Bank - A/C 01141471295000	Development	-	1,385,222	(1,385,222)
Dept. of Water, N/ Resources - 01141472496600 – Co-op	Operation a/c	00	398,382	(398,382)
				9,441,085

8.4 Payments in the Cashbook not Captured in the Schedule

The payments shown below were extracted from the Department of Lands, Urban Areas, Housing and Physical Planning cash book but could not be traced in the department's recurrent expenditure schedule:

Date	Description	Voucher No.	Amount Kshs.
04 August 2016	Fencing		945,0000
11 April 2017	Processing of titles		1,448,500

8.5 Unaccounted for Cash Withdrawal Handed Over to the County Cashier

The cash book maintained at the Department of Transport and Infrastructure reflects Kshs.5,587,500 being cash withdrawals made by various members staff, at a constant cheque value of Kshs.931,250. However, the withdrawals were entered in the Department's cash book but were not accounted for. Further, the cashier made payments totaling Kshs.29,190,345 with cash from unknown sources and as at 28 April 2017, he held an unexplained cash-in-hand balance of Kshs.503,310,690.

8.6 Payment from Standing Imprest

The Department of Transport and Infrastructure made a payment of Kshs.2,240,701 from the standing imprest account contrary to public financial management regulations and County Financial Accounting and Reporting Manual. The payment voucher did not have details of the payee and purpose of payment and there was no explanation why the payment was made by the Department and not the County Treasury through the Central Bank account.

8.7 Funds Irregularly Transferred from Central Bank Accounts to Kenya Commercial Bank and Withdrawn in Cash

The County Executive of Vihiga transferred a total of Kshs.614,947,689 from the County's Central Bank Accounts (Recurrent and Development) to the County's standing imprest (Operations Account) maintained at Kenya Commercial Bank, Mbale Branch. Large amounts of cash were withdrawn as petty cash expenses. However, the withdrawals were in excess of the authorized daily limit of Kshs.700,000. For example, cash withdrawals of Kshs.30,000,000 were made in a single day in two instalments of Kshs.23,000,000 and Kshs.7,000,000 on 12 April 2017. Further, there were no corresponding entries of cash payments. The cash-in-hand balance on record as at 28 April 2017 was Kshs.503,310,690. This was unusual given that such a large amount of cash could not under normal circumstances, have been kept in the office. Further, whenever there was a transfer of funds to the imprest account, the funds were withdrawn almost instantly. The withdrawals were normally in the personal names of the County Cashier or Principal Finance Officer. The transfers were made without regard to the particulars of the planned items of expenditure including the recipient departments.

In most instances, posting of payments in the cash book was done on the basis of payments in the bank statements instead of payment vouchers or imprest warrants.

8.8 Unusual Payments from Central Bank to Individuals

Un-specified payments were made to several individuals but the purposes for the payments were not indicated. The County Executive's bank statements maintained at the Central Bank revealed that some staff and non-staff were paid amounts totaling Kshs.239,675,566 for undisclosed purposes. Most payments were made to individuals whose duties did not relate to activities that warranted payment of millions of shillings and further, the payments were not accounted for. In addition, staff in key functional areas were cumulatively paid unaccounted for cash as below:

Payee	Amount Kshs.
Budget Office	35,171,280
County Cashier	10,540,500
Executive Secretary	7,214,300
Internal Audit	7,636,300
Supplies Assistant	10,140,750
Imprest Accounts Clerk	5,286,000
County Non-staff (Security)	11,878,950
Total	**87,868,080**

8.9 Irregular Cash withdrawals and Entries in the Cash Book

During the year under review, the Department of Transport and Infrastructure was issued with Kshs.42,720,000 for petty cash payments. The amounts were channeled to the Department's Bank Account No.01141472496700 maintained at the Co-operative Bank of Kenya, Mbale Branch. However, the Department did not maintain an imprest register as required by Section 93 (4)c of the Public Financial Management Regulation. The cash withdrawals for petty payments exceeded the authorized daily limit of Kshs.700,000 where in most cases they exceeded Kshs.2,000,000. Unexplained contra entries were made in the cash book for the cash withdrawals. However, there were no supporting documents for the cited cash payments. In one instance, an imprest (cash) payment of Kshs.2,000,000 made to a member of staff was not supported with an imprest warrant and although the Officer was deployed in the Department of Finance and Economic Planning, he was paid from the Transport Department's allocation.

Similarly, the Chief Officer Transport was paid Kshs.2,000,000 as imprest without any supporting document and also, payments were made to contractors and suppliers in cash contrary to the Public Finance Management Regulation Section 82(1) and Financial Accounting and Reporting Manual Section 6.7.6 (i)-(v). Further, the Department of Transport and Infrastructure made cumulative cash payments totaling Kshs.38,961,858 in excess of the authorized daily limit of Kshs.10,000. In addition,

payments totaling Kshs.4,279,805 were made to suppliers/contractors in cash in violation of regulations that require payments to be made by cheque or electronically.

8.10 Irregular Operation of Bank Accounts

Included in the cash and cash equivalents balance of Kshs.533,299,668 as at 30 June 2017 was Kshs.1,546,135 held in twelve (12) departmental operations accounts in various commercial banks as detailed below. The operation of the accounts by the County Executive was irregular as it disregarded Regulation 82(b) of the Public Finance Management (County Governments) Regulations, 2015 which prohibits operation of bank accounts in commercial banks, unless these are imprest accounts. Further, the Executive did not disclose in the financial statements forty-six (46) bank accounts it operates in various commercial banks.

	Department	Bank Name and Account No.	Account Description	FY2016/2017 Kshs.
1.	Development Operations	Co-op Bank 01141471295000	Development	0
2.	Revenue Collection	1140749552	Collection Account	1,540,476
3.	Dept. of Water & Natural Resources	Co-op Bank 01141472496600	Operation a/c	0
4.	Dept. of Health Services		Operation a/c	0
5.	Dept. Of Education	KCB 1170665020	Operation a/c	1,631
6.	Dept. of Trade	KCB 1172899320	Operation a/c	601
7.	Dept. of Lands	1170671136	Operation a/c	659
8.	Dept. of Transport	Co-op Bank 1141472496700	Operation a/c	473
9.	Dept. of Public Service Board	KCB 1170670687	Operation a/c	292
10	Gender, Youth and Sports-		Operation a/c	0
11	Agriculture, Fisheries and Co-operatives		Operation a/c	750
12	Public Service and Administration		Operation a/c	1,254
			Total	**1,546,136**

In the circumstances, it has not been possible to confirm that the cash and cash equivalents balance of Kshs.533,299,668 as at 30 June 2017 is fairly stated.

9. Accounts Payable

9.1 Unconfirmed Pending Bills

The accuracy and validity of the pending bills balance of Kshs.1,180,505,788 as at 30 June 2017 could not be confirmed as correct as it was arrived at by calculating the agreed contract amounts against total payments for each project instead of the

certified value of work done or goods supplied against total payments made. It is highly likely that the amounts owed to contractors were understated.

9.2 Irregular Transfer from Retention Account to Recurrent Account

The County Executive opened an account at Central Bank where contractors' retention monies were transferred to. The analysis of retention amounts on record indicated that Kshs.71,318,317 was payable to contractors as at 30 June 2017. Further, the cash and cash equivalents balance of Kshs.533,299,668 reflected in the statement of assets and liabilities includes the retention account balance of Kshs.71,318,317 which is however, understated by Kshs.17,300,000 irregularly transferred to the recurrent account for other county operations as analyzed below:

Date	Bank statement Ref.	Details	Kshs.
8/12/16	FTI 127	Transfer to Recurrent Account	3,000,000
8/12/16	FT 634	Transfer to Recurrent Account	4,000,000
9/12/17	FT 7038	Transfer to Recurrent Account	5,000,000
14/2/17	FT 7040	Transfer to Recurrent Account	2,000,000
14/2/17	FT 7045	Transfer to Recurrent Account	2,000,000
		Total	**17,300,000**

Further, It was noted that only Kshs.117,457 was available at bank as reflected in the bank statement as at 30 June 2017 against Kshs.71,318,317 that was shown in office accounting records. In the circumstances, it was not possible to confirm the accuracy of the pending bills and retention balances in the financial statements as at 30 June 2017.
The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Executive of Vihiga 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 requirements applicable to performing audits of financial statements in Kenya. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my disclaimer opinion.

10. Budget Performance Analysis

10.1 Failure to Adhere to Budgetary Provisions

Examination of the balances posted in the Program Based Budget (PBB) against the Appropriation Act, 2016 revealed significant differences of more than 1% contrary to regulation 37(1) of the Public Finance Management Regulations. Further, the County Assembly reduced the budgeted amounts from various departments to enhance the Assembly's budget which increased from Kshs.483,869,498 to Kshs.648,773,279. At an

estimated County revenue of Kshs.5,260,639,544, only Kshs.368,244,768 (7% of Kshs.5,260,639,544) was to be allocated to the County Assembly. However, the Assembly was allocated Kshs.648,244,768 which exceeded the allowable limit by Kshs.280,000,000.

10.2 Delay in Processing the First Supplementary Budget after Approval of County Allocation of Revenue Act (CARA)

Preparation of the first supplementary budget after passage of the County Allocation of Revenue Act (CARA) took both the County Executive and County Assembly eight months from July 2016 to March 2017 when the supplementary budget was published and publicized. Further several changes were made on the budget document proposed by the County Executive against one passed by the County Assembly whereby the budget for the Ministry of Education was reduced by more than Kshs.64 million.

10.3 Under-Expenditure on Development due to Pending Bills

Analysis of the budgets for the financial years 2014/2015, 2015/2016 and 2016/1017 shows that although the County Executive allocated over 30% of its expected revenue for development, it failed to spend the allocations to pay vendors and contractors who provided services to the County. As a result, there were huge pending bills at the end of each of the three financial years as summarized below:

	2014/15 Kshs.	2015/16 Kshs.	2016/17 Kshs	Total Kshs
Budget	1,511,048,285	1,641,579,806	2,221,231,045	5,373,859,136
Actual Expenditure	793,121,616	1,101,057,421	1,315,577,524	**3,209,756,561**
Unspent Amount	**717,926,669**	**540,522,385**	**905,653,521**	**2,164,102,575**

The under-expenditure of over Kshs.2,164,102,575 may have precipitated the huge pending bills of over one billion reported by the County Executive as at 30 June 2017.

10.4 Variance between the Final Budget and Actual Expenditure

Comparison of the final development vote budget against actual expenditure for the financial year under review revealed large under-expenditures totaling Kshs.807,343,957 equivalent to 53% of the budget as analyzed below:

Development	Supplementary Budget	Actual Expenditure	Variance	% of Under-expenditure
	Kshs.	Kshs.	Kshs.	
County Executive	45,000,000	0	45,000,000	100
County Assembly	115,000,000	0	115,000,000	100
County Health	223,650,000	103,748,705	119,901,295	54
Agriculture	57,599,233	3,232,000	54,367,233	94

Education	138,920,367	36,789,345	102,131,022	74
Gender & Culture	51,050,000	13,492,997	37,557,003	74
Industrialization & Trade	36,200,000	18,895,150	17,304,850	48
Environment & Water	79,925,076	26,122,882	53,802,194	67
County Treasury	230,172,935	139,836,050	90,336,885	39
Transport & Infrastructure	490,067,261	344,785,547	145,281,714	30
County Public Service Board	0	0	0	0
Lands & Housing	28,463,413	1,650,000	26,813,413	94
Public Service Administration	15,000,000	15,151,652	151,652	1
Total	**1,511,048,285**	**703,704,328**	**807,343,957**	**53**

10.5 Receipts and Payments

Analysis of the final receipts and budget against actuals for the financial year under review revealed large variances as analyzed below:

Receipt/Expense Item	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
Receipts	**Kshs.**	**Kshs.**	**Kshs.**	
Proceeds from Domestic and Foreign Grants	-	60,258,000	(60,258,000)	-
Exchequer Releases	4,184,387,901	4,191,472,901	(7,085,000)	-
Transfers from Other Government Entities	268,846,134	130,219,492	138,626,642	48.4%
Other Receipts	220,000,000	109,869,898	110,130,102	49.9%
Balance b/d	367,405,529		367,405,529	0
Total	**5,040,639,564**	**4,491,820,291**	**548,819,273**	**89.1%**

Management have not provided a plausible explanation for the large variances between actual and the budgeted receipts. Further, the receipts budget amounting to Kshs.5,040,639,564 included a balance brought down of Kshs.367,405,529 which however differed with the audited previous year balance of Kshs.356,509,778 by Kshs.10,895,751. Management have not explained the anomaly.

10.6 Irregular Transfer of Funds- Public Service

The County Executive transferred Kshs.5,820,000 from the exchequer account to the Department of Public Service bank account as shown in the table below. There was no evidence of the funds transferred having been budgeted for, hence management failed to comply with Article 190(2) of the Constitution and Chapter 6.10(1) of the County Financial Accounting and Reporting Manual.

PV No.	Date	Cash	Amount (Kshs.)
9314	06.09.2016	Cash	300,000
9373	21.09.2016	Cash	1,000,000
9700	12.10.2016	Cash	1,000,000
10005315	16.11.2016	Cash	520,000
10544	29.12.2016	Cash	2,000,000
10004152	11.04.2017	Cash	1,000,000
		Total	**5,820,000**

10.7 Appropriations-in-Aid (Facility Improvement Fund)

The Appropriations-in-Aid budget of the Department of Health amounting to Kshs.52,500,000 was expected to be realized from three major health facilities in the County, Vihiga County Referral Hospital, Emuhaya Sub-county Referral Hospital and Hamisi Sub-county Referral Hospital. However, analysis of the revenue (Facility Improvement Fund) revealed that only 48% of the targeted revenue of Kshs.25,263,647 was realized out of which Kshs.16,377,180 was banked and the balance of Kshs.8,886,468 spent at source.

10.8 Failure to Account for Funds Released to Vihiga County Health Management Team

The County received Kshs.7,085,000 from a development partner, Danida to support its Level II and III health facilities. Out of forty two health facilities in the county, Vihiga County Health Management Team (CHMT) received the largest share of Kshs.1,761,000. The team further received Kshs.2,500,000 and Kshs.370,625 respectively being first and second disbursements of maternity funds received from the National Government. In total the management team received a total of Kshs.4,631,625 from both the donor and National Government. However, there were no documents made available to show how the receipts were accounted for.

10.9 Misallocation of Funds

The department of County Treasury paid out amounts totaling Kshs.26,283,849 budgeted for construction of roads account to finance various recurrent expenditures on air travel, and purchase of stationery. Further, payments totaling Kshs.11,362,024 were made to a local travel agency for air travel services. However, documents to

support the payments were not made available for audit verification. As a result, the propriety of the expenditures could not be confirmed.

10.10 Unbudgeted for Pending Bills in the Department of Trade and Industrialization

During the year under review, the Department of Trade and Industrialization paid out Kshs.7,600,000 for two (2) projects budgeted for in previous financial years. However there was no allocation made for the expenditures in the budget for the year under review. The contractual periods for the two projects had expired but the contracts had not been terminated or approved for extension. For example, the contractual period for Wemilabi project expired on 10 October 2016 while that of Luanda Market Rehabilitation expired on 28 February 2015. The Luanda Market was occupied by traders despite being incomplete, with 70% of works done according to the last technical inspection report issued before the audit. The contractor failed to complete it due to delays in payments. Eight out of ten stalls due for construction at Wemilabi market were completed but were not occupied by traders. The contractor did not complete the remaining stalls, citing delays in payment. Further, the payment certificates used to make the payments were not supported with certificates of works done:-

Pv No	Date	Payee	Description	Amount Kshs.
8	23/11/2016	M/s Serema Agencies	Payment for rehabilitation of Luanda Market	5,000,000
271	19/04/2017	M/s Serema Agencies	Payment for Rehabilitation of Luanda Market	1,200,000
337	26/01/2017	M/s Lenana Engineering Limited.	Construction of Metal Stalls at Wemilabi Mkt	1,400,000
				7,600,000

10.11 No Budget for Pending Bills Public Service and Administration

The Department of Public Service and Administration made payments totaling Kshs.3,503,459 as analyzed in the table below. However, the budget for the year under review did not include an allocation to cater for pending bills. In addition, the Ministry of Agriculture and Department of Water and Natural Resources made two payments of Kshs.43,823,490 and Kshs.24,083,417 which had no budgetary allocation in the year under review.

Date	Payee	PV No.	Date due	Details	Amount (Kshs)
26.10.2016	Roddy`s Eco Cover	10003275	16.04.2015	Payment for one (1) conference facility on county dialogue forum.	920,000

31.10.2016	M/s Vimisa Enterprises	10003295	31.03.2015	Renovation works at the Commissioner`s Office.	583,459
04.11.2016	M/s Pendeza	10003419	28.06.2015	Construction of Hamisi sub-county offices.	1,000,000
31.10.2016	M/s Logistics Outsourcing	10004218	18.02.2015	Renovation works at Emuhaya Administrative office.	1,000,000
				Total	**3,503,459**

In the absence of provisions in the budget for pending bills, missing certificates of work done and contract agreements and the unknown liabilities of defunct local authorities, the accuracy of the balance of Kshs.3,503,459 paid on account of pending bills could not be confirmed.

11. Poor Preparation of the Procurement Plan

According to the final budget for the financial year 2016/2017, Kshs.223,650,000 was allocated for development in the Department of Health. However, the department prepared a procurement plan that had no relation with the budget. In the plan, the department allocated a lump-sum of Kshs.275,000,000 for construction of health facilities without providing a detailed breakdown including the cost estimates and method of procurement of each project as envisaged in the procurement and assets disposal regulations.

11.1 Failure to Adhere to the Annual Procurement Plan

11.1.1 Department of Education

The Department of Education, Science and Technology's annual procurement plan for the year under review indicated that 93 civil works projects and other related education projects estimated to cost Kshs.138,920,367 were to be implemented. However, the projects had not been launched as at the time of audit.

11.1.2 Department of Gender, Youth, Culture & Sports

In the annual procurement plan for the year under review, the Department of Gender, Youth, Culture & Sports was to build a stadium at Chavakali at a cost of Kshs.29,000,000. However, the procurement plan was not adhered to since the works had not commenced as at the time of the audit. The delay will deny residents of Vihiga County benefits intended from this facility.

11.2 Irregular Transfer of Funds to the Department of Health

The County Treasury transferred Kshs.7,224,786 to the Department of Health for onward transmission to Kenya Catholic Secretariat for drugs supplied. However, the transfer disregarded Chapter 6.2 (13) of County Government Financial Accounting manual that requires transfers of money directly to the merchant through the G-Pay/Internet banking system of the Central Bank of Kenya.

11.3 Overdrawn Ward Bursary Disbursement Accounts.

The ward bursary disbursement accounts were established by the Vihiga County Government Education Fund Administration Rules in 2014. However, the following ward bursary disbursement accounts were overdrawn as shown below:

Ward	Bank Accounts	Amount overdrawn
Emabungo	1120262405485 - Equity	104,202
Shiru	1152973223 - KCB	17,226
	Amount	**121,428**

11.4 Unutilized Bank balances from the Ward Bursary Accounts

The Education Fund through their respective ward bursary disbursement accounts held Kshs.1,664,171 as at 30 June 2017 being funds not utilized by the end of the financial year. The balance included un-presented cheques amounting to Kshs.189,725. No plausible explanation was provided by management for failure to cash the cheques.

11.5 Project Implementation Performance

The project implementation status report revealed that a total of 12 projects from the Department of Education were either abandoned or had stalled after incurring expenditure of Kshs.11,209,445 paid to contractors. Further, a total of 14 projects costing Kshs.35,532,497 were yet to commence, while 50 projects estimated to cost Kshs.74,955,249 in aggregate were ongoing at the time of audit verification.

11.6 Irregular Opening and Operation of Bank Account

The Department of Public Service and Administration operated a current bank account No.1170670687 at Kenya Commercial Bank, Mbale branch. During the year under review, a total of Kshs.22,056,500 was transferred from the Exchequer recurrent account to the departmental recurrent account. However, there was no evidence showing that the officer responsible for operating the bank account was authorized by the County Executive Committee Member-Finance to open the bank account. The only information availed indicated that the County Executive Committee Member-Finance, had written to the bank in regard to opening of the account. The Department of Public Service and Administration being a county government entity did not qualify to open and operate a commercial bank account. Further, Regulation 51(1) (j) (ii) of the Public Finance Management (County Governments) Regulations, 2015 prohibit division of responsibility, as done between the Accounting Officer of the County Executive and the Chief Officer of the department.

12.0 Miscellaneous Irregular Payments

12.1 Irregular Payment of Medical Expenses

The County Government through the Ministry of Health paid Kshs.1,500,000 vide PV No.111 of 18 January 2017 to cover medical bills of a staff member without reference to any policy or regulation that allows such payment. The minutes of the county cabinet meeting said to have approved the payment were not made available for audit verification and confirmation.

12.2 Irregular Expenditure- Malezi Bora Initiative

The Department of Health held Malezi Bora initiative workshop where 86 officers in attendance were paid Kshs.5,000 each for five days and as a result, Kshs.2,150,000 was spent during the workshop. However, the expenditure was initiated by an accountant with no proper knowledge on child development issues. In addition, the expenditure was not included in the departmental procurement plan. Further, location of the meeting was not specified and neither were the facilitators identified nor daily attendance registers attached to the payment voucher.

12.3 Third Party Bills Paid without Agreement

During the year under review, the County Executive under the Ministry of Environment, Natural Resources, Water and Forestry paid electricity bills amounting to Kshs.20,669,047 for water supplies in the County. However, no memorandum of understanding was provided for audit verification to confirm authorization of such payments. Further, Kshs.2,000,000 was paid out for projects carried out in schools as analyzed in the table below. However, formal proposals from the respective schools detailing why the projects had to be done were not availed for audit verification. Therefore it was not clear what inspired implementation of the projects without input from stakeholders.

PV No.	Date	Payee	Description	Amount Kshs.
D305	04/11/2016	Lango Glassmart and Hardware	Part payment for rain harvesting in schools in South Maragoli Ward	1,000,000
D144	04/11/2016	Beneda Enterprises	Construction of public sanitation facility at Keveye Girls	1,000,000

12.4 Signing of Incomplete Payment Vouchers

Payment vouchers for expenditure amounting to Kshs.20,748,060 for Department of Public Service and Administration were signed by both the authorized officers on the part of Authority–to-Incur expenditure (AIE) holder and Accounting Officer. However, vote book authorizations were not completed and hence it was not possible to confirm whether the expenditures incurred had been budgeted for.

12.5 Payments not Properly Supported

The Department of Public Service and Administration made payments totaling Kshs.3,822,452 for civil works . However details on specific components of the bills of quantities done and certified before the payments were made were not disclosed in the payment documents.

As a result, the propriety of the expenditure could not be confirmed.

In addition, a local company was awarded a tender to supply fertilizer to the County during the year under review. The local purchase order indicated that the company was to supply 22,500 bags at a price of Kshs.715 per bag as invoiced. However, only 15,814 bags were supplied. Further, the contractor, agreed that 186 bags of fertilizer received in damaged condition were to be replaced. Audit verification of S13 showed that 16,000 bags costing Kshs.16,087,520 were received but the delivery notes indicated 15,814 bags of fertilizer were received. No proper explanation has been provided by management for the discrepancy.

Further, the County Executive made various other payments totaling Kshs.6,469,258 during the year under review, but these were not supported with relevant documents contrary to Public Finance Management Act, 2012 and Regulation 104(1) of the County Government Act.

Date	Payee	Description	Amount	Findings
	Herbert Kenogo	Official travel to Nairobi for senate meeting	632,700	Prove of travel not attached
	Victor Audo	Payment to meal allowances for security officers attached to governor's residence	704,000	Signatures of the recipients missing
	Herbert Kenogo		1,675,000	-No Action plan -Venue not indicated -Stakeholders were from which sub county and how were they identified
	Yazid Construction	Supply of food stuff	581,758	-No LSO was raised -List of beneficiaries not attached -The company was not pre-qualified
	Uniglobe Lets Go	Air travel	2,875,800	-No invoices were provided - No policy guiding air travel was provided

				Payment charged to development vote
		Total	**6,469,258**	

12.6 Unaccounted For Fuel

The County Executive paid a local supplier Kshs.3,060,000 for fuel which was not accounted for in the fuel register. In addition, work tickets and detailed orders were not availed to establish quantities of fuel taken by the County Executive's vehicles.

12.7 Irregular Payments on Facilitation of Public Meetings and Workshops

A sum of Kshs.12,100,000 was spent on public participation and various workshops by the County Executive during the year under review. However, the expenditures were incurred by the Executive in the absence of effective controls and regulations on use of the funds as analyzed below:

Date	Payee	Description	Amount
9/6/2017	Shadrack Ongalo	Facilitation of women empowerment groups meeting	1,135,400
4/10/2016	Joel Etale	Surrender of imprest for facilitation of stakeholders meeting	1,505,000
30/6/17	Shadrack Ongalo	Surrender of imprest for facilitation of sensitization on marginalized	2,500,000
6/2/2017	Shadrack Ongalo	surrender of Imprest taken to facilitate tobacco awareness in sub counties	2,500,000
14/3/17	Shadrack Ongalo	Surrender of Imprest to facilitate sensitization of revenue collection	1,505,000
12/6/2017	Shadrack Ongalo	Surrender of imprest to facilitate Empowerment Groups in county	1,385,400
2/5/2017	Shadrack Ongalo	Surrender of imprest to facilitate sensitization on girls abuse	600,000
15/5/2017	Hudson Mutsoso	Facilitation of governors meeting	540,000
12/8/2017	Hudson Mutsoso	Facilitation of governors meeting with 287 stakeholders	430,000
		Totals	**12,100,800**

12.8 Irregular Payments to Council of Governors

During the year under review, the County Executive paid Kshs.2,547,453 and Kshs.4,000,000 to the Council of Governors in respect of contribution towards the fourth annual devolution conference and liaison office rent respectively. However, the expenditure had not been not budgeted for during the year and further, all expenses on the Conference are supposed to be met by the national government. No plausible explanation has been provided by management for the irregular payments. .

12.9 Unclear Criteria in Identifying Participants for Land Clinics

The Department of Lands, Urban Areas, Housing and Physical Planning made payments totaling Kshs.1,477,600 for land clinics held in Shiru, Jepkoyai, Tambua and Shamkhokho Wards. However, criteria used to identify participants and arrive at the daily allowance rates of (Kshs.1,000) were not disclosed. The budget for the clinics was Kshs.1,236,000 against actual payments of Kshs.1,477,600 resulting in over-expenditure of Kshs.241,000. Further, four out of five vouchers used to incur the expenditure totaling Kshs.1,477,600 were not numbered as analyzed below and hence their validity could not therefore be confirmed.

Pv No	Date	Payee	Description	Amount Kshs.	Remarks
?	23/05/2017	Alex Mahugi	Being payment for land clinic in Jepkoyai Ward on 3rd Nov	327,500	No Payment voucher (Pv). No. Criteria for inviting participants an rates paid
?	23/05/2017	Alex Mahugi	Being payment for land clinic in Tambua Ward on 2nd Nov	327,500	No Pv No. No criteria f inviting participants an rates paid cited. No invite to ward admin
?	23/05/2017	David K'Ombuor	Being payment for land clinic in Shamakhokho ward on 29th Nov	327,500	No Pv No. Criteria for inviting participants anc rates paid. Report not signed
?	23/05/2017	Alex Mahugi	Being payment for land clinic in Shiru Ward on 28th OC	327,500	No Pv No. Criteria for inviting participants anc rates paid cited.
5	15/11/2016	Alex Mahugi	Facilitation of transport reimbursement to stakeholders during land clinic held in Hamisi Sub-county	167,600	Criteria for inviting participants and rates paid cited.
				1,477,600	

Responsibilities of Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the County Executive's ability to sustain services, and applying the going concern accounting assumption, disclosing, as applicable, matters related to sustainability of services.

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.

Those charged with governance are responsible for overseeing the Executive's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

My responsibility is to conduct an audit of the Project's 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 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 opinion on these financial statements.

I am independent of County Executive of Vihiga 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.

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

NAIROBI

16 July 2018