

# REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF VIHIGA FOR THE YEAR ENDED 30 JUNE, 2019

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## REPORT ON THE FINANCIAL STATEMENTS

### Adverse Opinion

I have audited the accompanying financial statements of the County Executive of Vihiga set out on pages 1 to 29, which comprise of the statement of financial assets and liabilities as at 30 June, 2019, statement of receipts and payments, statement of cash flow, statement of appropriation: recurrent and development combined for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters described in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of the County Executive of the Vihiga as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with the County Governments Act, 2012 and the Public Finance Management Act, 2012.

### Basis for Qualification

#### 1.0 Accuracy of the Financial Statements

A review of the financial statements revealed various discrepancies between the balances reported in various statements and the corresponding records as outlined below:

#### 1.1 Statement of Receipts and Payments

##### 1.1.1 Understatement of Total Expenditure

The statement of receipts and payments reflects total payments of Kshs.6,014,392,028. The balance constitutes ledgers balances which have been journalized thereby reducing several expenditure items for payments totalling to Kshs.23,882,696 as tabulated below:

Items	Kshs.
Transfer to other government units	12,000,000
Communication supplies and operation services	898,955
Domestic Travel and Subsistence	2,731,200
Other Operating Expenses	7,158,231
Rehabilitation and renovation of civil works	1,094,310
<b>Total</b>	<b>23,882,696</b>

The total expenditures figure for the year ended 30 June, 2019 is thus understated by unsupported and unexplained difference of Kshs.23,882,696.

### **1.1.2 Overstatement of Departmental Expenditure**

Further, examination of IFMIS payment details for the Health Department revealed numerous cases of duplicate payments to suppliers and individuals totalling Kshs.96,845,980. As a result, the department's expenditure is overstated by Kshs.48,422,990. Management has explained that The National Treasury has not given them the rights to void, reverse or cancel such payments.

### **1.1.3 Unauthorized Voided Payments**

A comparison of the payment details from IFMIS against the corresponding payment transactions as captured in the corresponding bank statements from Central Bank of Kenya indicated that payments amounting to Kshs.1,104,730,224 were voided or cancelled during the year under review. However, it was not possible to verify details regarding the reasons for voiding them as no documentation or register was provided for audit verification in support of the cancellation as required. There were also no details of who authorized the voiding of the payments.

### **1.1.4 Transfers to Other Government Entities**

The statement of receipts and payments reflects a balance of Kshs.836,574,288 under transfers to other government entities. However, the ledger reflects an amount of Kshs.848,574,288, thereby resulting to an unreconciled variance of Kshs.12,000,000.

Further, Transfers to the County Assembly of Vihiga and Amatsi Water Services Company Ltd are reflected as Kshs.634,674,288 and Kshs.31,744,651 respectively totalling to Kshs.666,418,939. However, examination of the financial statements of the County Assembly of Vihiga and Amatsi Water Services Company Ltd for the year ended 30 June, 2019 reflected amounts of Kshs.617,914,441 and Kshs.25,151,714 respectively totalling to Kshs.643,066,155 as having been transferred from the County Executive resulting to an unexplained variance of Kshs.23,352,784.

In addition, an amount of Kshs.9,269,200 was transferred from the County Executive to the County Assembly operational account but Management did not provide acknowledgement or confirmation of the receipt and purpose for the transfer for audit review. Management also transferred another Kshs.300,000, Kshs.300,000 and Kshs.3,500,000 to Emuhaya Hospital, Hamisi Sub-county Hospital and CHMT Account respectively. However, the amounts were expensed at the point of transfer and no supporting documentation was provided for audit verification.

### **1.1.5 Irregular Charge of Recurrent to Development Vote**

During the year under review, an amount of Kshs.1,198,280 paid to an investment company in respect of supply and delivery of standard text equipment and workshop tools by the Department of Trade, Industrialization, Tourism and Entrepreneurship was charged on the development vote instead of recurrent vote without authority.

Further, Management incurred a total of Kshs.1,694,400 to facilitate the Speaker, the Deputy Speaker and the MCAs for the Devolution Conference. However, the said activities would have been budgeted and catered for under the County Assembly's Vote and not the County Executive Vote.

### 1.1.6 Inaccuracy in Employee Costs

As disclosed under Note 6 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.1,965,847,487 under Compensation of employees. A review of payrolls indicates that there were numerous arithmetical errors in the payrolls as outlined below:

- i) The above balance of Kshs.1,965,847,487 reflected in the statement of receipts and payments differed by Kshs.347,598,758.15 with the amount of Kshs.1,618,248,728.85 as recomputed from Integrated Payroll and Personnel Database, IPPD Gross pay.
- ii) During the month of June, 2019, the amount reflected as total gross pay for trade market cleaners' manual payroll was Kshs.16,672,548. However, the actual total gross pay amount on the manual payroll provided was Kshs.14,382,756 leading to an unexplained variance of Kshs.2,289,792. Further, the subtotal indicated on the cost summary was erroneously computed as Kshs.28,566,450 instead of Kshs.28,526,236 leading to an unexplained and unreconciled variance of Kshs.40,214.
- iii) A review of salary payment during the month of August, 2018 and June, 2019 indicated that the amount quoted on the payment voucher differed significantly in the personnel emolument cost summary letter from payroll manager as shown below:

	<b>Payment Voucher</b>	<b>Cost Summary</b>	<b>Difference</b>
	Kshs	Kshs	Kshs.
August, 2018	171,612,480	171,232,480	380,000
June, 2019	210,485,713	204,334,207	6,151,506

Management has not reconciled or explained the discrepancies or given any reconciliation.

A review of payrolls for April and June, 2019 revealed existence of employees with duplicate national identification numbers where employees earned a total of Kshs.2,041,795, through duplicated bank account numbers where employees earned Kshs.1,943,518 and duplicate payroll entries where employees earned Kshs.138,970. Management did not provide reconciliations and explanations for the duplicates.

- iv) A review of the IPPD payrolls and bank records revealed that five (5) employees were paid an amount of Kshs.1,703,394.90 through a single shared bank account in a commercial bank branch at Machakos as tabulated in **Appendix I:**

Consequently, the accuracy and validity of the total expenditure reflected in the statement of receipts and payments for the year ended 30 June, 2019 could not be confirmed.

## **1.2 Statement of Financial Assets and Liabilities**

### **1.2.1 Undisclosed Suspense Account**

The statement of assets and liabilities continue to reflect discrepancies between the assets and liabilities where liabilities significantly exceeded the assets as tabulated below:

<b>Year</b>	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Difference</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
2018/2019	696,024,550	1,268,142,887	572,118,337
2017/2018	1,468,641,658	2,040,759,994	572,118,337
2016/2017	414,080,442	773,202,161	359,121,719

The differences have not been disclosed in the face of the statement of assets and liabilities under the suspense account pending reconciliation.

### **1.2.2 Inaccuracies in Accounts Receivables**

The statement of assets and liabilities reflects an accounts receivables balance of Kshs.47,858,715. The balance includes salary advance of Kshs.2,264,945. However, review of records availed by Management revealed that an amount of Kshs.1,775,438 issued to various officers as salary advances was not included in the total salary advances balance of Kshs.2,264,945.

The balance of Kshs.47,858,715 is therefore understated by Kshs.1,775,438.

Consequently, the accuracy of the statement of financial assets and liabilities as at 30 June, 2019 could not be confirmed.

## **2.0 Unsupported Balances**

### **2.1 Statement of Receipts and Payments**

#### **2.1.1 Unsupported Transfers from Other Government Entities**

During the year under review, the County Executive received Kshs.146,949,295 from the Kenya Roads Board, Kshs.41,525,000 from State Department of Vocational and Technical Training in respect of Village Polytechnic Fund and Kshs.12,657,201 as compensation of user fees under the Primary Health Care System. However, no supporting documentation was provided for audit verification to confirm the amounts disbursed and the dates of disbursements.

Consequently, the accuracy, completeness and validity of the transfers from other government entities of Kshs.201,131,496 could not be confirmed as fairly stated.

#### **2.1.2 Use of Goods and Services**

The statement of receipts and payments reflects use of goods and services balance of Kshs.1,194,312,884 as disclosed under Note 7 to the financial statements. A review of the various expenditure items revealed several unsupported balances as outlined below.

### **2.1.3 Unsupported Domestic Travel**

As disclosed under Note 7 to the financial statements, the statement of receipts and payments reflects domestic travel and subsistence balance of Kshs.270,856,552. However, a travel agent was paid an amount of Kshs.12,883,176 on various dates in respect to air travels by county staff. The expenditure was not adequately supported as the details of staff, dates and the purpose of travel were not provided for audit verification. Further, the firm was paid an amount of Kshs.1,760,111 which was only supported by a local service order of Kshs.1,260,000 resulting to unexplained overpayment of Kshs.500,111. The payment did not have any support indicating that the service was rendered.

### **2.1.4 Unsupported Legal Fees**

Included in the expenditure balance of Kshs.1,194,312,884 under use of goods and services is an amount of Kshs.184,208,273 in respect of other operating expenses. The above expenditure of Kshs.184,208,273 constitutes an amount of Kshs.3,454,884 being payment made in respect of legal expenses. However, the legal expenses could not be confirmed as the documentary evidence such as contract and how the legal services were procured was not availed for audit verification.

Under the circumstance, the propriety of the above expenditure included under the use of goods and services could not be confirmed.

## **2.2 Unsupported Acquisition of Assets**

As disclosed under Note 11 to the financial statements, the statement of receipts and payments reflects expenditure amounting to Kshs.1,404,959,817 under acquisition of assets, which includes balances of Kshs.10,700,000 and Kshs.5,105,000 for purchase of two (2) parcels of land and a motor vehicle respectively. However, Management did not avail the respective title deeds for the parcels of land and the contract documents between the Management and the motor vehicle dealer for audit verification.

Further, a firm was awarded a tender for construction, supply, installation testing and commissioning of works and equipment for a data center at a contract sum of Kshs.95,520,940 and paid Kshs.19,104,188 being 20% mobilization fee. Management did not avail a report on materials inspection, verification and acceptance and deliveries of materials according to bills of quantities and specifications in tender documents and the certificate for work done for audit review.

Consequently, the ownership of land and the propriety of the amount paid on the procurement of the motor vehicle and data centre could not be confirmed.

## **2.3 Statement of Assets and Liabilities**

A review of the statement of financial assets and liabilities as at 30 June, 2019 reflects various balances which have not been adequately supported as outlined below;

### **2.3.1 Unsupported Accounts Payables**

The statement of assets and liabilities as at 30 June, 2019 reflects an accounts payables balance of Kshs.218,265,000 which includes retention money of Kshs.128,429,250 out of which only an amount of Kshs.61,891,831 was supported by a bank balance leaving a balance of Kshs.66,537,419 unsupported.

### **2.3.2 Unsupported Prior Year Adjustment**

The statement of assets and liabilities reflects a net financial position of Kshs.1,268,142,887. Included in the figure is a prior year adjustment debit balance of Kshs.25,876,930 which was not supported or explained.

Consequently, the balances reflected in the statement of assets and liabilities as at 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Executive of Vihiga Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

### **Other Matter**

#### **1. Budget Control and Performance**

The statement of appropriation of budget and actual amounts: recurrent and development combined reflects a final receipts budget and actual on comparable basis of Kshs.7,002,573,972 and Kshs.6,794,950,101 respectively, resulting to an under-funding of Kshs.207,623,871 or 3% of the budget. However, the statement reflects a final payments budget and actual on comparable basis of Kshs.7,002,573,972 and Kshs.6,014,392,028 respectively resulting to an under-expenditure of Kshs.988,181,944 or 14% of the budget.

The under-expenditure affected the planned activities and could have impacted negatively on service delivery to the public.

#### **2. Pending Bills**

As shown under other disclosures Annex 3.0 to the financial statements, the County Executive had pending bills of Kshs.2,543,257,914 as at 30 June, 2019. The balance constitutes an amount of Kshs.2,453,422,164 and Kshs.89,835,750 in respect of pending staff payables. However, a committee constituted to look into pending bills issues and give a report has not finalized verification to date. Management has also not explained why the bills were not settled during the year when they occurred.

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

### **3. Inter-Departmental Borrowings**

The statement of assets and liabilities reflects cash and cash equivalent balance of Kshs.866,430,835. However, examination of the cash book and the bank statements revealed cases of inter-departmental borrowings amounting to Kshs.8,200,000 which were not supported by any documentations and remained unrefunded. There is no evidence to show whether the amounts have ever been refunded.

### **4. Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, although the Management has indicated that the issues have been responded to, the matters have remained unresolved as the Senate and the County Assembly have not deliberated on the issues.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Irregular Variation of Contract**

During the year under review, the County procured one motor vehicle ISUZU TFS-86 D-MAX Double CAB through the department of Administration and Co-ordination of County Affairs (ACCA) from R.Y.C.E East Africa Ltd at Kshs.5,105,000. However, the contract between the County and RYCE East Africa Ltd (Isuzu) was not provided for audit scrutiny and the terms of the contract or how the dealer was identified could not be determined.

Further, the Department of Environment, Water and Natural Resources work plan included purchase of a motor vehicle with an approved budget of Kshs.5,000,000. A vendor was contracted through the Department, from the supplies branch prequalified list for a Ford Ranger 2.2 LT MT XL PLUS (South Africa) at a contract sum of Kshs.4,797,600.

The department however later settled for a Ford Ranger 2.2 LT MT Safety Pack with no radio at a price of Kshs.5,600,000. The price variation was attributed to an upward change on the contract price. No communication from the supplier was provided stating the reasons as to why they varied the contract sum before the stipulated 12 months' period elapsed.

In addition, Management did not provide explanation and necessary approvals, for audit verification, in support of the upwards price variation contrary to the Sec.139 of the Public Procurement and Asset Disposal Act, 2015.

Consequently, the Management was in breach of the law.

## **2. Irregular Procurement of Travel Services**

The Management paid a tours and travel firm a sum of Kshs.10,410,855 for provision of travel services. The balance includes Kshs.2,844,828 paid for a pending bill relating to the 2017/2018 financial year. However, Management did not provide evidence that the balance was factored in the procurement plan for the year 2018/2019. As a result it was not possible to confirm whether the expenditure was authorized.

Further, Management paid Kshs.7,566,027 through splitting the procurement as follows; Kshs.5,310,345 under contract No. RFQ/VCG/DOALFC/012/2018-2019, Kshs.1,971,200 under contract No. RFQ/VCG/025/2018-2019 and Kshs.284,483 vide payment voucher No.10004467. Had Management not split the procurement, the amount involved would surpass the request for quotation threshold of Kshs.2,000,000 for procurement of services contrary to Section 54 of the Public Procurement and Asset Disposal Act, 2015. The split in procurement, therefore led to avoidance of competition and as a result, cost-effectiveness, transparency, fairness and equitability may not have been achieved due to the splitting of the contract.

## **3. Irregular Purchase of Land**

The Management entered into a sales agreement dated 8 May, 2018 for a parcel land measuring approximate 0.39 Ha for a community health centre at a cost of Kshs.5,500,000. The title deed was registered in the names of two (2) persons as co-owners on equal share of ownership. The Management made a payment of Kshs.4,200,000 leaving a balance of Kshs.1,300,000. However, documents availed by Management including the green card and the certification of official search revealed that the property had inhibitions, cautions and restrictions placed on it at varied dates.

As at the time of audit in the month of September, 2019, no evidence of transfer of the land to the County Government was provided for audit verification.

In the circumstances, I am unable to confirm whether the purchase constituted a proper charge to public resources.

## **4. Irregular Procurement of Eco-Coffee Pulping Machine and Generator**

On 21 January, 2019, the County Commissioner for Co-operatives made a procurement requisition to the Management to procure, install and test one unit of Eco-coffee pulping machine (capacity 3000kg/hour) and an automatic standby generator with 17Kva, three-phase diesel engine. There were only four (4) firms which submitted bids to supply a



machine with a capacity of only 1000Kg/hour and not the required 3000Kg/hour machine. However, Management went ahead and evaluated the bids and awarded the contract to a supplier contrary to Section 106(3) of the Public Procurement and Asset Disposal Act, 2015.

Physical verification revealed that an electric powered machine with a 1000kg/hour capacity was procured instead of a diesel engine with a 3000kg/hour capacity contrary to what the user had requested. Further, it was noted that the machine was not in use due to lack of electricity connection from Kenya Power and Lighting Company.

Consequently, the Management was in breach of the law and there was no value for money on the resources spent for the machine.

## **5. Irregular Construction of Governor's and Deputy Governor's Residences**

The Management awarded contracts for the construction of the Governor's and the Deputy Governor's residences for a contract sum of Kshs.93,173,751 and Kshs.55,352,874 respectively. The consultancy for design, documentation and supervision of the two (2) residences was awarded to a different contractor at a cost of Kshs.26,100,000. The total cost of the works totalled Kshs.174,626,625. However, this was contrary to the Salaries and Remuneration Commission (SRC) circular Ref: SRC/TS/COG/6/61/48Vol. II (61) dated 03 May, 2019 which stipulated the ceilings for Governor's residence maximum of Kshs.45,000,000 and Deputy Governor's residence maximum of Kshs.35,000,000 both totalling Kshs.80,000,000. The aggregate ceiling of Kshs.80,000,000 was therefore surpassed by Kshs.94,626,625.

In addition, Management did not avail the title deed for the parcel of land where the Deputy Governor's residence is constructed. Further, during physical verification, it was noted that the internal walls were done by blocks instead of masonry stone from approved quarry as indicated in the Bill of Quantities.

Consequently, the Management was in breach of the law and the quality of works as per the specifications could not be ascertained.

## **6. Irregular Payment to the Council of Governors**

During the year under review, Management paid Kshs.4,945,119 as a contribution to the Council of Governors to support their activities during the year. However, the Council of Governors as established under the Inter-Governmental Relations Act, 2012 Section 37 states that the operational expenses in respect of the structures and institutions established by the Act shall be provided for in the annual estimates of revenue and expenditure of the National Government to cater for the Council of Governors' activities. It was therefore, not clear why the County Government paid for the Council of Governors activities not provided for within the County Executive's budget.

Consequently, the Management was in breach of the law.

## **7. Non-Compliance with the One Third of Basic Salary Rule**

During the year under review, seven (7) employees during the month of July, 2018 and six (6) employees in the month of June 2019, earned a net salary of less than a third (1/3) of their basic salary contrary to Section C.1(3) of the County Public Service Human Resource Manual of 2013 and Section 19(3) of the Employment Act, 2007. The Management has not given an explanation for the failure to comply with the policy. This may expose the staff to pecuniary embarrassment.

Consequently, the Management is in breach of the law.

## **8. Irregular Issuance of Temporary Imprest**

During the year under review, the Department of Environment, Water and Natural Resources issued additional imprests to one officer all totalling Kshs.3,849,344 before surrendering of previous outstanding imprests contrary to Sec. 93(4)(b) of the Public Finance Management (County Governments) Regulation, 2015 which states that no additional imprests shall be issued to an officer before surrendering the earlier one. The explanation given was that some officers had not yet been defined in IFMIS, meaning that some imprests were being taken on behalf of other staff by the officer.

Management was therefore in breach of the regulations.

## **9. Cash Payments to Suppliers**

A review of records on payments made through the Integrated Finance Management Information System (IFMIS) revealed that payments totalling Kshs.314,349,499 were made in cash to suppliers and individuals contrary to Section 6.7.6 of the County Financial Accounting and Reporting Manual, which prohibits cash payments to both independent contractors and individuals.

Consequently, the Management is in breach of the law.

## **10. Delay in Completion of Nang'oli Water Project**

During the year under review, the Management signed a contract with a contractor for rehabilitation and expansion of Nang'oli Water Project in Luanda Sub-County at a contract sum of Kshs.23,675,002 in January, 2015. The project was supposed to have been completed within six (6) months after signing the contract in June, 2015 .

However, physical verification of the project during the month of September, 2019 revealed the following outstanding works all valued at Kshs.5,700,000 which had not been completed: 3-phase electricity power to pump house valued at Kshs.1,500,000, planting of indigenous trees, allowance for diversion for storm water and fencing of spring area at Kshs.200,000, and supply of two (2) submersible pumps at Kshs.4,000,000.

In the circumstances, the contractor was in breach of the contract and Management did not explain the measures it intends to take to ensure delivery of the project as per terms of contract and that value for money is achieved by the residents of the Vihiga County.

## **11. Unsatisfactory Construction of ECDE Classrooms**

During the year under review, the Management awarded a tender for the construction of ECDE classrooms at Chavavo, Vigena and Ihyagalo primary schools. The contract

agreement was signed on 29 January, 2019 and the notice to commence work was given to the contractor on 13 February, 2019. A technical report dated 10 April, 2019 confirmed the works done as satisfactory and 100% completed. The inspection team recommended payment for the measured work done and the total sum of Kshs.3,863,700 was paid on 16 June, 2019.

However, physical site visits during the month of September, 2019 revealed that the ceilings had not been finished, while the conduit piping and electrical works were still outstanding in Chavavo and Inyagalo Primary School. In Vigena, there were visible cracks on the floor and polythene sheet as damp proof membrane were not completed. Further, there were no monthly progress reports to help in the identification of errors at an early stage to enable correction or remedial actions.

Consequently, I am unable to confirm whether public resources were spent in an effective way.

## **12. Unsatisfactory Construction of Boys Dormitory at Keveye VTC**

A construction company was awarded the construction of a boys dormitory at Keveye VTC through tender Ref No. RFQ/VCG/500/2018-2019 on 18 March, 2019 at a contract sum of Kshs.2,621,530, with a contract duration of three (3) months. However, a technical report dated 12 June, 2019, indicated that the works was fully completed and the inspection team recommended the contractor to be paid for works done. The contractor was eventually paid Kshs.2,258,578 out of the contract price leaving a balance of Kshs.362,952 outstanding.

However, on 23 September, 2019, a physical inspection of the project was noted that the dormitory was renovated and not constructed as stated in the tender documents. The following works were also outstanding according to the BQs. The galvanized pipe curtain rods complete with curtains to be fitted in all windows and doors and a 1mm mosquito gauze to be fitted to the windows had not been done.

Further, a sum of Kshs.750,000 spent on the provisional sums had not been supported in writing and there was no supporting documentation to necessitate the need for the expenditure.

In the circumstances, I am unable to confirm whether the expenditure was a proper charge to public funds and whether value for money has been achieved.

## **13. Unsatisfactory Works at Shiru Playground**

A company was awarded a tender for levelling and planting grass at Shiru Playground for a contract sum of Kshs.945,980 on 15 April, 2019. The technical report from the inspection committee dated 13 June, 2019 stated that works done was at 90% completion and the inspection team deemed the work as satisfactory. The company was paid Kshs.945,980 on 15 July, 2019. However, field verification done on 16 July, 2019, revealed that the works were incomplete and the playground was not in use.

In the circumstances, I am unable to confirm whether the residents will receive value for money for the public resources used.

## **14. Improvement Works at Ebusakami Playground**

Management awarded a tender to a firm for improvement works at Ebusakami playground at a contract sum of Kshs.980,088 on 17 April, 2019. Payment of Kshs.980,088 was made on 19 June, 2019. However, a physical site visit on 16 September, 2019 revealed some works were still outstanding and the project was not labelled.

In the circumstances, I am unable to confirm whether the residents have received value for money for the public resources used.

#### **15. Unsatisfactory Development Works at Kidundu Stadium**

Management awarded a tender for construction works at Kidundu Stadium to a contractor at a contract sum of Kshs.5,066,265. The contract was for three (3) months from 18 March, 2019 to 18 June, 2019. However, Management did not avail the project file and acceptance letter by the contractor for audit verification. Examination of the technical report dated 13 June, 2019 revealed that the project inspection team deemed the work to be 60% complete and therefore recommended that the contractor be paid for work done. An analysis of the IFMIS payment details revealed that payment had not been fully made to the contractor and a sum of Kshs.2,370,263 was treated as a pending bill for the year 2018/2019.

Examination of the records and site inspection on 16 September, 2019, revealed that the evaluation report was only signed by two members out of the six appointed to be part of the evaluation committee. There was no chain link fence done despite the technical report stating the work was 100% complete. The walling for the toilet was done using clay bricks instead of concrete blocks as per the specifications of the Bill of Quantities (BQs) and thus the sum of Kshs.246,800 quoted in the summary of works done, Certificate No.1 could not be accounted for.

Further, Kshs.266,000 was spent on the supply and fixing of one hundred and thirty-three (133 No.) 150x100mm reinforced concrete posts to cover the entire perimeter. However, there was an existing perimeter wall that had been erected in the previous financial years that enclosed the stadium except for one side. The total sum of Kshs.511,700 spent on fencing as per the summary of works done Certificate No. 1 could not be accounted for. In addition, the contractor was not on site despite the works being incomplete.

In the circumstances, there was no value for money on the works indicated as complete.

#### **16. Incomplete Market/Boda Boda Sheds**

Management awarded a tender for construction of six (6) market/boda boda sheds which were distributed as follows; four (4) sheds in Shiru Ward and one (1) each in Luanda South and Emabungo Wards for a contract sum of Kshs.6,599,802. The technical inspection reports indicated that the projects were 100% complete and total payments made in full. However, physical verification revealed that the works were not fully completed. Management did not provide explanations on the measures to be taken to ensure that the works are complete.

In the circumstances, I am unable to confirm when and whether the residents have received value for money from the public resources used.

#### **17. Other Procurements Irregularities**

The procurement for the Department of Trade, Industrialization, Tourism and Entrepreneurship revealed weaknesses and anomalies as highlighted under **Appendix II**.

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### Project Implementation Status Report

During the year under review, the Projects Implementation Status Report revealed that a total of two hundred and forty-one (241) projects valued at Kshs.1,179,364,288 were rolled out across the county departments and regions. Out of these, the report indicated that one hundred and sixty-nine (169) completed projects with an approved budget of Kshs.499,316,064 had been completed, fifty (50) with an approved budget of Kshs.646,274,124 were ongoing or partially completed, twenty (20) projects with an approved budget of Kshs.13,390,000 had not started while two (2) projects with an approved budget of Kshs.20,384,100 had stalled.

This is an indication of weak project planning, implementation and monitoring. There is therefore, need for Management to review project planning mechanisms with a view to prioritizing projects to be implemented during a financial year. This would result to higher positive impact and improved development and service delivery to the citizens of Vihiga County.

### Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### Responsibilities of Management and those charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash

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

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County Executive's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County Executive to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the County Executive to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**05 May, 2021**



**Appendix- I. Employees with Different Payroll Numbers Sharing Bank Account in 2018/2019**

<b>Month</b>	<b>Cyril Muganda Majani P/No.2004000670 ID No.13301294 (Kshs.)</b>	<b>Musonye Isaac Asenahavi P/No.1993036642 ID No.6346429 (Kshs.)</b>	<b>Amuhaya Alfred Imbale P/No.1993029344 ID No. 10906057 (Kshs.)</b>	<b>Sichele Julius Matura P/No.1989065883 ID No.4877987 (Kshs.)</b>	<b>Legogo James Kimeli P/No1987066396 ID No.7111683 (Kshs.)</b>	<b>Monthly Total (Kshs.)</b>
Jul-18	8,148.30	62,414.50	28,788.00	9,949.60	28,399.70	<b>137,700.10</b>
Aug-18	8,195.70	62,414.50	28,954.70	11,155.60	28,556.00	<b>139,276.50</b>
Sept-18	8,243.10	54,944.50	29,121.40	11,214.00	28,712.30	<b>132,235.30</b>
Oct-18	8,290.50	55,011.20	29,288.10	11,272.40	28,868.60	<b>132,730.80</b>
Nov-18	8,337.90	55,077.90	29,454.80	11,330.80	29,024.90	<b>133,226.30</b>
Dec-18	11,585.30	59,244.60	33,821.50	14,589.20	33,381.20	<b>152,621.80</b>
Jan-19	8,432.70	64,742.10	29,788.20	8,669.60	29,837.50	<b>141,470.10</b>
Feb-19	9,206.85	64,742.10	31,936.60	9,479.75	31,975.50	<b>147,340.80</b>
Mar-19	7,477.25	64,742.10	32,103.30	9,563.15	32,131.80	<b>146,017.60</b>
Apr-19	7,524.65	64,742.10	32,270.00	9,646.55	32,288.10	<b>146,471.40</b>
May-19	7,572.05	64,742.10	32,436.70	9,729.95	32,444.40	<b>146,925.20</b>
Jun-19	7,619.45	64,742.10	32,603.40	9,813.35	32,600.70	<b>147,379.00</b>
<b>Individual Total</b>	<b>100,633.75</b>	<b>737,559.80</b>	<b>370,566.70</b>	<b>126,413.95</b>	<b>368,220.70</b>	<b>1,703,394.90</b>

## Appendix II: Other Procurement Irregularities

No	Project	Contract Costs (Kshs.)	Observation
	Boda Boda Sheds at Banja Ward	876,159	Lowest bidder was Kshs.798,045. Professional opinion was issued after notification and acceptance
	Gisambai Boda Boda Sheds	876,000	Tender evaluation report and professional opinion were issued after the contract had been awarded. Bid sums for all bidders were not availed.
	Market Sheds at Shiru Ward	1,572,000	Completion date not indicated. Evaluation committee members were from supply chain department and no representation from the technical department
	Boda Boda Sheds at Shiru Ward	807,266	Tender evaluation report was not signed. Bid amounts for other bidders not availed. Professional opinion was issued after the contract had been awarded. The contract agreement was not signed by the contractor while the technical inspection report did not indicate project duration.
	Market Sheds in Luanda South Ward	3,556,995	Bid amounts for other bidders not availed. Bid opening minutes were not signed and detailed financial evaluation of all the received bids were not availed.
	<b>Total</b>	<b>7,688,420</b>	