

# **REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF VIHIGA FOR THE YEAR ENDED 30 JUNE 2018**

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Qualified Opinion**

I have audited the accompanying financial statements of County Executive of Vihiga set out on pages 1 to 25, which comprise the statement of financial assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of County Executive of Vihiga as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with Public Finance Management Act, 2012 and the County Government Act, 2012.

### **Basis for Qualified Opinion**

#### **1.0 Cash and Cash Equivalents**

The statements of financial assets and liabilities reflects a cash and cash equivalents balance of Kshs.1,568,865,525 as at 30 June 2018. However, the cash flow statements indicates a balance of Kshs.1,606,203,719 resulting into an unexplained variance of Kshs.37,338,194. Further, cash and cash equivalents at the beginning of the year of Kshs.533,197,156 differs with the comparative figure of Kshs.533,299,668 by Kshs.102,512.

In view of the forgoing, the validity, completeness and accuracy of the cash and cash equivalents balance of Kshs.1,568,865,525 could not be ascertained.

#### **2.0 Outstanding imprests**

The County executive had outstanding imprests of Kshs.57,813,757 (2017; Kshs.15,824,211) while ledger shows Kshs.55,639,838 leading to an unreconciled difference of Kshs.2,173,919. Also Note 15 also indicate imprests of Kshs.35,184,555 instead of Kshs.55,639,838 as per the ledger, thus leading to an understatement of Kshs.20,455,283. Some of the imprests have also been outstanding from July 2017 contrary to the regulations.

In view of the forgoing, the validity, completeness and accuracy of the Outstanding imprest balance of Kshs.57,813,757 could not be ascertained.

### **3.0 Acquisition of Assets**

#### **3.1 Acquisition of Land**

Included in the acquisition of assets figure of Kshs.185,964,463 under construction of buildings of Kshs.53,408,349 is land acquisition figure of Kshs.23,940,000 paid to a vendor, vide cash book payment voucher No.4 of 14 June 2018 for sale of two parcels of land. No ownership (title deed) for the land was made available for audit verification.

Consequently, the ownership of the land and the propriety of Kshs.23,940,000 expenditure on acquisition of land could not be confirmed.

#### **3.2 Acquisition of Assets**

The County Executive acquired assets worth Kshs.185,964,463 (2017: Kshs.776,520,291) as at 30 June 2018 as shown in the statement of receipts and payments and Note 11. However, there is no disclosure note as required to show cumulative summary of fixed assets held by the Executive.

Under the circumstances, the completeness, custody, valuation, accuracy and security of the fixed assets could not be ascertained

#### **3.3 Assets Inherited from the Defunct Local Authorities**

Review of the financial statements revealed that the assets inherited from the defunct local authorities have been omitted from the financial statements. Further, the Inter-Governmental Relations Technical Committee which took over from Transitional Authority is yet to formally hand over the assets and liabilities of the defunct local authorities to the County Government.

Under the circumstances, the completeness, custody, valuation, accuracy and security of the fixed assets could not be ascertained

### **4.0 Use of Goods and Services - Construction of a New Mortuary Building at Mbale District Hospital**

The statement of receipts and payments under use of goods and services figure of Kshs.488,115,559 includes utilities, supplies and services figure of Kshs.27,990,063 that in turn includes mortuary expenditure totaling Kshs.4,543,437. However, the County Government planned for construction of a mortuary at Mbale Hospital at a cost of Kshs.13,005,927 and the contract was to run for a period of six (6) months that is, from 29 January 2015 to 29 May 2015. As at the time of the audit a total of Kshs.7,010,679 had been paid since inception of the project. However, during the audit inspection the following anomalies were observed:

- i. No documentary evidence in terms of advertisement was provided to show how the contractors were identified and notified about the works and no tender register and tender opening minutes were made available for audit examination.
- ii. The tender evaluation minutes were never provided beside the letter appointing the evaluation committee for audit examination.
- iii. Further, the evaluation minutes were signed by the secretary and the only one member who again signed for the chairman of the evaluation committee. The rest of the members, four in total did not append their signatures.
- iv. No letters of regrets were addressed to the losing bidders as per the requirement of the Public Procurement Act 2005 section 67.
- v. Physical verification of the project on 12 November 2018 revealed that the contractor had done up to roofing level and only few workers were clearing the bush around the project and no major works were ongoing and the contract period had long lapsed and no extension period for the project had been done.
- vi. The contractor did not provide a performance bond equivalent to 10% of the contract sum from a reputable financial institution approved by Public Procurement and Oversight Authority in favor of the County Government before commencing execution of work as was stipulated in the contract agreement.
- vii. No detailed breakdown of the works that were carried out were availed for audit examination to confirm the payment of Kshs.4,543,437 during the year under review.

Consequently, the validity of Kshs.4,543,437 could not be confirmed.

## **5.0 Unconfirmed Hospital Fees**

Included in the receipts and payments under County own generated receipts figure of Kshs.145,195,524 is a figure of Kshs.31,228,561 under Facility Improvement Fund which in turn includes Kshs.13,650,041 as hospital fees collection done by software vendor. However, it was not possible to determine whether the collection was net of the vendor's commission or otherwise as the contract agreement between the vendor and the hospital was not made available for audit review.

Consequently, the validity and accuracy of the revenue reported under hospital fees disclosed in the financial statements at Kshs.13,650,041 could not be confirmed.

## **6.0 Unsupported Rehabilitation of Kidinye-St. Joseph TTC Road (1.1KM) Central Maragoli Road**

Included in the acquisition of assets figure of Kshs.185,964,463 is an amount of 77,465,152 under construction of roads which in turn includes the rehabilitation of St. Joseph TTC Road at a cost of Kshs.1,453,248. Further, the project was advertised in the County website and the daily nation newspaper of 14<sup>th</sup> November 2016. The work

was awarded to Morabs Agencies Ltd at a contract price of Kshs.2,018,400 with a contract period of 3 (three) months. As at the time of audit inspection the contractor had been paid Kshs.1,453,248. However, the following anomalies were observed:

- i) The contractor was not on site during our audit inspection in November 2018 and the road was still incomplete.
- ii) One (1) culvert installation of 600mm diameter twenty-one (21) long meters had not been done at a rate of Kshs.10,000 per meter all totaling to Kshs.210,000.
- iii) Construction of stone check dams fifty (50) in number at a rate of Kshs.1,000 in erosion gullies as directed by the engineer-Kshs.50,000 was also pending.
- iv) The contractor did not provide a performance bond of ten percent as per the contract agreement.
- v) Without the inspection and completion certificate, it was difficult to confirm the authenticity of the expenditure of Kshs.1,453,248 already paid.

Consequently, the Validity of Kshs.1,453,248 expenditure could not be confirmed.

## **7.0 Pending Bills**

The County Executive had pending bills of Kshs.1,789,581,398 as at 30 June 2018 as shown on Note 18.1 and Appendix 3. However, pending bills under the departments of education, health, agriculture, gender, lands, treasury, water & environment, public service & administration, Governors Office and county public service board were not supported as required.

In consequence, the completeness, accuracy and validity of the pending bills amounting to Kshs.1,789,581,398 as at 30 June 2018 could not be confirmed.

## **8.0 Action on Previous Year Audit Recommendations**

The County Executive did not indicate the status and follow up of audit issues reported in the previous years (2016/2017) financial statements as required in the reporting template prescribed by the Public Sector Accounting Standards Board.

As a result, the financial statements were not in compliance with the IPSAS Cash basis Template prescribed by the Public Sector Accounting Standards Board and the National Treasury.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

## Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matter(s) described in the Basis for Adverse Opinion section, I have determined that there are no other key audit matters to communicate in my report.

## Other Matter

### 1.0 Unbudgeted Expenditure

During the financial year 2017/2018 the County Government budgeted to spend a total of Kshs.102,684,764 under departments of Agriculture, Livestock and Fisheries and Co-operatives. However, it was observed that the departments of Agriculture, Livestock, Fisheries and Co-operatives did not have a budget for agricultural materials, supplies and small equipment but ended up spending Kshs.47,448,120 as per vote book status report. Further, examination of the actual payments revealed that the departments had paid Kshs.53,537,385 leading to unexplained difference of Kshs.6,089,265 between the vote book status report and the actual payments. It was also observed that the payment vouchers were not fully supported as tabulated below:

No.	Date	Cash Book Voucher No.	Payee	Amount Ksh	Findings
1	07/05/2018	03	Export Trading Company Inputs Kenya Limited	19,838,385	No delivery note No counter receipt voucher (S13)
2	13 June 2018	07	Export Trading Company Inputs Kenya Limited	17,010,000	No LPO and Invoice
3	13 June 2018	08	Bungoma Chemist Limited	16,689,000	No LPO and counter receipt voucher (S13)
			<b>TOTAL</b>	<b>53,537,385</b>	

### 2.0 Under Absorption of the Development Funds

The Department of Health had budgeted to spend Kshs.233,259,166 on the development vote during the year under review but ended up spending only Kshs.151,117,083 resulting to underspending of the budgeted amount by Kshs.82,142,083. No explanation was given for the failure to utilize all the budgeted funds.

### **3.0 Under Absorption of Use of Goods and Services Funds**

The Department of Health had budgeted to spend Kshs.398,833,438.00 on the use of goods and services vote during the year under review but ended up spending only Kshs.209,843,462 resulting into under expenditure of Kshs.188,989,976. No reasons were given for underutilization of the budgeted funds.

## **REPORT ON COMPLIANCE WITH LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC MONEY**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matter described in the Conclusion on Compliance and Effectiveness section of my report, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1.0 Annual Reporting by Accounting Officers**

The entities of the County Government have not prepared separate financial statements relating to their operations as required by Section 164 of the Public Finance Management Act, 2012.

Consequently, the management was in breach of the law.

#### **2.0 Use of Goods and Services**

##### **2.1. Leasing of Medical Equipment**

The statement of appropriation recurrent and development combined reflect budgeted total revenue of Kshs.5,582,242,383 which excludes conditional grant of medical equipment allocation. Further, according to County Allocation of Revenue Act, No. 23 of 2017, section 5(1) e on conditional allocations for leasing of medical equipment as set out in Column F of the Second Schedule, Kshs.95,744,681 was to be included in the budget estimates according to Intergovernmental Agreement in line with Article 187 of the Constitution. In addition, no Intergovernmental Agreement on leasing of medical equipment was availed for audit verification.

Consequently, the County Executive management was in breach of the law and the value for money and supply, and use of leased medical equipment could not be determined.

## **2.2. Proposed Design and Supervision of 160 Bed Hospital Plaza at Vihiga County Referral Hospital (Consultants)**

A contract agreement was entered into between the Design Infinity Architects, and the County Government of Vihiga, to perform consultancy services of provision of architectural and mechanical design and drawings of a six storied, 160 bed capacity hospital plaza at a contract sum of Kshs.13,000,000. As at the time of audit inspection, the contractor had been paid Kshs.5,200,000 vide payment voucher number 01069 of 13 March 2018. The contract period for 2 years was to run from 4 April 2015 to 30 March 2017, or any other period as may be agreed by parties in writing. However, examination of supporting documents revealed the following anomalies:

- i) No evidence relating to advertisement was made available to show how Design Infinity Architects came to learn that of the above services were required.
- ii) No tender register and opening tender minutes were availed for audit examination.
- iii) No notification of award and letter of acceptance were made available for audit examination.
- iv) No evaluation minutes for the above services were made available for audit examination.
- v) The contract period had long lapsed and no evidence in writing agreed by both parties for extension was made available for our audit examination.
- vi) The contractor raised a fee note dated 24 February 2015 of Kshs.13,000,000 even before the contract of constructing the hospital had been entered into.
- vii) No approved budget and procurement plan for the period that the contract of consultancy services was entered into was made available for audit review.

Consequently, the County Executive was in breach of law on the procurement process and value for money may not have been realised.

## **3.0 IFMIS Cash Transactions**

The following items were also, reflected in IFMIS as cash transactions contrary to County Financial Accounting and Reporting Manual section 6.7.6 which prohibits cash payments to independent contractors and it is therefore not possible to determine what the expenditures were for as shown below.

Details	Date	Amount Kshs.
Nation Media Group Ltd	26 June 2018	3,053,820.00
Principal Officer Vihiga County Government	07 Feb. 2018	3,000,000.00
Principal Officer Vihiga County Government	05 Mar. 2018	3,000,000.00
The Clerk Vihiga County Assembly	16 May 2018	3,000,000.00
Principal Officer Vihiga County Government	28 May 2018	2,500,000.00
Nation Media Group Ltd	26 June 2018	2,465,517.00
Principal Officer Vihiga County Government	23 Oct. 2017	2,000,000.00
Principal Officer Vihiga County Government	05 Mar. 2018	2,000,000.00
Vat Payment Account	30 May 2018	1,577,123.00
Principal Officer Vihiga County Government	26 Feb. 2018	1,000,000.00
Principal Officer Vihiga County Government	05 Mar. 2018	1,000,000.00
Withholding VAT A/C	30 May 2018	775,944.60
Francis Angueyah Ominde	14 Dec. 2017	500,000.00
Principal Officer Vihiga County Government	08 Nov. 2017	200,000.00
Nation Media Group Ltd	23 June 2018	135,300.00
Alex Amasakha Imbwaga	24 May 2018	116,000.00
Vat Payment Account	21 June 2018	86,680.80
Vat Payment Account	28 June 2018	69,502.75
Humphrey Enonda Asamba	15 Dec. 2017	65,840.00
Withholding VAT A/C	21 June 2018	50,274.85
Withholding VAT A/C	28 June 2018	40,311.60
Kenya Revenue Authority Main Imprest Account	07 Dec. 2017	34,696.00
Vat Payment Account	18 June 2018	23,683.95
Vat Payment Account	23 June 2018	2,275.85

Consequently, the management were in breach of the regulation and the propriety of the payments could not be confirmed.

#### **4.0 Compensation of Employees**

##### **4.1 Inefficient Human Resource Management**

The county Government was not able to provide the staff establishment, list of permanent staff during the year, list of permanent staff who joined the County Government during the year under review and list of permanent staff who exited the county Government during the year under review. According to June 2018 IPPD payroll the County Government has workforce of 2,233 and from a sample of file reviewed it was observed that the County Government recruited a total of 25 staff during the year under review. It is not clear how the County Government continues to recruit and manages a work force of 2,233 without staff establishment.



Further, the basic salary of permanent employees increased by Kshs.529,876,618 from Kshs.763,472,525 as at 30 June 2017 to Kshs.1,293,349,143 representing an increase of 69%. No explanation has been provided to justify the increase of the expenditure by 69%.

Consequently, the County Executive was in breach of law on staff establishment and management of human resource.

#### **4.2 Non Recovery of Salary Advances.**

The total financial assets figure of Kshs.1,626,679,282 included Kshs.57,813,757 accounts receivable which in turn includes Kshs.2,174,369 under salary advances. However, examination of records in respect of salary advances revealed that salary advances amounting to Kshs.2,174,369 issued had not been recovered during the year under review, though some advances had been outstanding for more than two years.

The County Executive is in breach of law for not recovering salary advances.

#### **4.3 Unsupported and Irregular OverPayment**

Included in the statement of receipts and payments under compensation of employees is an amount of Kshs.2,159,633,298 which in turn includes Kshs.1,293,349,143 under basic salaries of permanent employees. However, Mr. Christopher A. Onyango - P/NO.20170112295 received payments totaling to Kshs.1,363,200 as salary, house allowance, commuter allowance above what is stated in his appointment letter. The officer was also paid extraneous allowance totaling to Ksh.540,000 which was not in his appointment letter as tabulated in the table.

	<b>Correct Amount Kshs.</b>	<b>Irregular Payment Kshs.</b>	<b>Difference Per Month Kshs.</b>	<b>Annual Total Kshs.</b>
Salary	41,000	99,600	58,600	703,200
House Allowance	17,000	21,000	4,000	48,000
Commuter Allowance	8,000	14,000	6,000	72,000
Extraneous Allowance		45,000	45,000	540,000
<b>Total</b>	<b>66,000</b>	<b>179,600</b>	<b>113,600</b>	<b>1,363,200</b>

Consequently, the propriety of the overpayment expenditure of Kshs.1,363,200 and its recovery could not be ascertained.

## 5.0 Imprest Management

### 5.1 Improper Management of Standing Imprest.

It was observed that the standing imprest facility for office operation in respect of Vihiga County treasury was issued in the name of office holder and not in the name of an officer, contrary to what the regulation stipulates. In addition, due lack of standing imprest register, the vouchers provided failed to indicate the maximum amount of the standing imprest facility operated by the County's treasury.

### 5.2 Failure to Account for Temporary Imprest

It was observed that payment voucher No. 269 dated 30 June, 2018 in respect of M/S David Juma for Kshs.1,464,800 for the training in records survey and appraisal. The training was scheduled for 5 days and it was to be attended by officers in various County and Sub County offices. The following anomalies were noted;

- The payment vouchers did not give the details where the training was conducted and on what criteria the 65 participants were selected for the training.
- There was no daily attendance register attached making it difficult to ascertain whether the officers actually attended the training.
- The invoices for goods that were purchased were not attached to the payment voucher, and the delivery notes as well.

The sourcing for the 4 facilitators for the training has also not been documented. As a result, the County may not have received value for money.

## 6.0 Unauthorized Payments

It was observed that vouchers amounting to Kshs.7,968,600 in respect of Finance and Economic Planning were paid without authorization as tabulated below:

Payee	Cash Book Voucher No.	Amount Ksh
Geoffrey Shem	11b	3,850,000.00
Francis Bolimo	016	998,400.00
Richard Rapando	143	906,200.00
William G.O. Seguta	607	920,000.00
Francis Bolimo	187c	450,000.00
Caleb M. Nyongesa	118	379,000.00
Kadely A. Madegwa	132	264,000.00
Susan Abutika	164	200,000.00
	<b>TOTAL</b>	<b>7,968,600.00</b>

## **7.0 Pending Bills - Failure to Remit Employees Deductions to the Cooperative Societies and Union(s)**

Examination of a schedule provided to support a balance of pending staff payables of Kshs.91,711,589 disclosed as a note to the financial statements for the year ended 30 June 2018 revealed that the County Government of Vihiga made deductions totaling Kshs.91,711,589 from its employees towards cooperative societies. However, the deductions had not been remitted to the concerned cooperative societies as at 30<sup>th</sup> June 2018, contrary to the requirements of the Public Finance Management Act, 2012.

The County Executive management was in breach of law.

## **8.0 Acquisition of Assets**

Included in the acquisition of assets figure of Kshs.185,964,463 under construction of buildings of Kshs.53,408,349 is land acquisition figure of Kshs.23,940,000 paid to a vendor, vide cash book payment voucher No.4 of 14 June 2018 for sale of two parcels of land. However, the following anomalies were observed:

- i) Advertisement was made in the daily nation newspaper of 15<sup>th</sup> April 2014 and no tender opening register and tender opening minutes were made available for audit examination to confirm who expressed interest in the sale of land to the county government.
- ii) As per a letter reference number VCG/ACCA/VOL 1/142 of 1<sup>st</sup> December 2017 from the Department of Administration and Coordination of County Affairs addressed to the Western Region Chief Land Valuer for the valuation of 2 pieces of land for the Eganza family parcel number 136 and 135 at Mbale and as per a letter reference number VAL/142/U/WP/KAK/VOL. VII/25 of 26<sup>th</sup> January 2018, the two pieces of land were valued at: parcel number North Maragoli/Mbale/1136-0.6 HA-Kshs.7,000,000 and parcel number North Maragoli/Mbale/1135-1.7HA-Kshs.18,000,000 while as per a memo reference number VCG/CS/LANDS/VOL.1 (6) of 20<sup>th</sup> February 2018, from the County Secretary to the County Executive Committee Member (C.E.C.M), the negotiation team held on 27 January 2018 had agreed on a price of 23,940,000.
- iii) No evidence was provided to indicate that this land purchase price was part of the pending bills.
- iv) A letter reference number VCG/MTI/FIN/2 VOL.1 108 of 13<sup>th</sup> April 2018 requesting the reallocation of funds from the vote of construction of residential buildings to the vote of acquisition of land was addressed to County Executive Committee Member of Finance was provided for audit review but there existed no evidence of being acted upon.
- v) It was not explained as to why the acquisition of the land had taken four years since it was advertised in the daily nation of 15 April 2014 to complete the transaction and no valid reasons were advanced as to why the sellers of the

- land came to express their interest in 1 December 2017, almost four years down the line.
- vi) No procurement professional opinion from the head of the procurement unit was made available for audit examination.
  - vii) No evidence of a procurement plan was prepared and submitted to the National Treasury as per the requirement of the Act.
  - viii) Physical verification of the land on 27 November 2018 revealed that it is not fenced at all and no clear demarcation is in place to identify that it is a County property.
  - ix) It was not explained as to who were in the negotiation committee or how the committee appointed to negotiate for the sale of the land and agree at the purchase price reduction from Kshs.25,000,000 to Kshs.23,940,000.
  - x) No ownership (title deed) for the land was made available for audit verification.

Consequently, the County Executive was in breach of law in conduct of the entire procurement process and value for money has not been realized in the transaction.

## **9.0 Use of Non-Pre-Qualified Firm**

It was observed that the payment voucher No. 1114 dated 30 June 2018 in respect of Actual-Way Consultant (K) Ltd for Kshs.5,220,000 indicated offering consultancy services for the design, documentation and supervision of the governor's and the deputy governor's residence. However, the firm has not been listed in the pre-qualified firms list. There is also no documentation to show how the County procured the services of the service provider raising doubt on the processes that pertain to this specific procurement.

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, GOVERNANCE AND RISK MANAGEMENT SYSTEMS**

### **Conclusion**

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the procedures performed, except for the matter described in the Conclusion on Effectiveness of Internal Controls section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

### **1.0 Unsupported Expenditure – Department of Health**

Included in the use of goods and services figure of Kshs.488,115,559 is an amount of Kshs.185,755,852 for Specialized materials and services which in turn includes payment vouchers for the Department of Health incurred expenditure totaling to Kshs.12,511,064 vide payment voucher number 01712 of 16 May 2018 of Kshs.10,000,000 to purchase drugs from M/S Meds and payment voucher number 01613 of 10 May 2018 for Kshs.2,511,064 to purchase non-pharmaceuticals from Bioscan Diagnostic East Africa company limited. However, the payment vouchers were not supported as detailed below:

- i. No requisitioning letter(s) from the user department was attached to the payment vouchers and availed for our audit examination
- ii. No local purchase order was attached to the payment voucher and availed for our audit examination
- iii. No invoice from the contractors were attached to the payment vouchers
- iv. No delivery notes were attached to the payment vouchers and availed for our audit examination
- v. No counter receipt vouchers were availed for our audit examination
- vi. No inspection and acceptance letters for the goods ordered were made available for our audit examination
- vii. No trace of the medicines and non-pharmaceuticals to the stores ledgers

This is a sign of weak internal controls and poor governance over procurement as a result of lack of supervision, documentation, and proper risk management processes

### **2.0 Unsupported Payments for Domestic and Foreign Air Travel Services**

Included in the statement of receipts and payments under use of good and services figure of Kshs.488,115,559 is an amount of Kshs.116,468,355 on domestic travel and subsistence which in turn includes Kshs.14,786,870 for domestic travel subsistence and Kshs.31,399,498 for foreign travel and subsistence respectively which also includes Kshs.16,170,498 being air travel under County Executive. Supporting documents such as air travel documentations, travel requisitions, reason of travel, list of officers involved, copies of passports were not provided for audit verification.

This is a sign of weak internal controls and poor governance over foreign travel.

### 3.0 Failure to Support Transfer of Funds by Documentations.

Examination of vouchers in respect of imprest funds transfer to operations account revealed that the reimbursements were not supported by any documentations but were just blank vouchers having narrations on the face of payment vouchers. During the year under review, we ascertained that Kshs.13,000,000 were transferred by Vihiga Treasury without any documentations as tabulated hereunder:

Payee	Cash Book Vouche No.	Amount Ksh
Principal Finance Officer	305	2,000,00
Principal Finance Officer	331	2,000,00
Principal Finance Officer	391	3,000,00
Imprest Account Vihiga	430	1,000,00
Principal Finance Officer	463	2,000,00
Imprest Account KCB	640	1,000,00
Principal Finance Officer	001	2,000,00
	<b>TOTAL</b>	<b>13,000,00</b>

This is a sign of weak internal controls and poor governance over imprest management and transaction processing as a result of lack of supervision, documentation, and proper risk management processes.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

#### Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the County Executive's ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the County Executive or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County Executive's ability to continue as a going concern or 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 as a going concern or 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.



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

**Nairobi**

**18 February 2019**