



OFFICE OF THE AUDITOR-GENERAL

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

Report of the Auditor-General on the Financial Statements of County Executive of Vihiga for the year ended 30 June 2017

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 (4) 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

