

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

COUNTY REVENUE FUND

FOR THE YEAR ENDED
30 JUNE, 2023

COUNTY GOVERNMENT OF VIHIGA

PAPERS LAID	
DATE	20/3/2024
TABLED BY	Sen. J. Kinzyua
COMMITTEE	←
CLERK AT THE TABLE	Polycarp



COUNTY GOVERNMENT OF VIHIGA

COUNTY REVENUE FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023



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1. Key Entity Information and Management

a) Background information

Article 207 of the Constitution of Kenya provides for the establishment of the County Revenue Fund into which shall be paid all money raised or received by or on behalf of the County Government.

b) Key Management

The County Revenue Funds day-to-day management is under the following key organs:

No.	Designation	Name
1.	CECM Finance and Economic Planning	Dr. Jairus Boston Amayi
2.	Accounting Officer in charge of Finance	CPA James Atemba
3.	Director Accounting Services/Finance	CPA Benjamin Otwoko

c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	CECM Finance and Economic Planning	Dr. Jairus Boston Amayi
2.	Accounting Officer in charge of Finance	CPA James Atemba
3.	Director Accounting Services/Finance	CPA Benjamin Otwoko

d) Fiduciary Oversight Arrangements

Section 73(5) of the Public Financial Management Act 2012 provides that each accounting officer of a department must, and each governing body shall establish an audit committee for the entity. Appointment and composition of members of the Audit Committee for the County Executive and the County Assembly is as outlined below;

County Assembly

1. The County Assembly shall competitively source for 3 members of the Audit Committee from suitably qualified persons one of whom shall be the chair.
2. The Audit Committee shall report to the County Assembly through the County Assembly Clerk.
3. The County Speaker shall nominate one senior officer to sit in the Audit Committee

County Executive



1. The County Executive shall competitively source for 4 members of the Audit Committee from suitably qualified persons one of whom shall be the chair.
2. The County Governor shall nominate one senior officer to sit in the Audit Committee
3. The Audit Committee shall report to the Governor

N/B: The Audit Committees of both the County Executive and County Assembly of Vihiga County Government are in place and functional

Audit Committee roles and responsibility shall be set out in its charter. Roles and responsibility shall include among others;

- Obtain assurance from management that all financial and non-financial internal control and risk management functions are operating effectively and reliably
- Provide an independent review of an entity reporting functions to ensure the integrity of financial reports
- Monitor the effectiveness of the entity's performance management and performance information
- Provide strong and effective oversight of an internal audit function
- Provide effective liaison and facilitate communication between management and external auditors
- Provide oversight of the implementation of the accepted audit recommendations
- Ensure the entity effectively monitor compliance with regulations, and regulatory requirements and promotes a culture of commitment to lawful and ethical behaviour.

a) Compliance and Safeguards against unethical conduct and corruption.

To ensure audit compliance and safeguards against unethical conduct and corruption, the County Government of Vihiga has instituted criteria that will be reliable, complete, objective, understandable, comparable acceptable and availability. Accordingly, the following audit measures are in place;

1. Policies, Legislations and Procedures on financial management.
2. Establishment of effective internal control systems
3. Collaborations with external auditors
4. Strengthened Internal Audit functions
5. Enhanced monitoring and evaluation and reporting
6. Instituted performance contracting and performance appraisal systems

Establishment of anti-corruption committee in Departments



e) County Headquarters

P.O. Box 344 - 50300
Vihiga County Headquarters – Mbale
Mbale – Kegoye Road,
Off Kisumu - Kakamega Road
Maragoli, Kenya

f) County Contacts

E-mail: treasury@vihiga.go.ke
Website: www.vihiga.go.ke

g) County Bankers

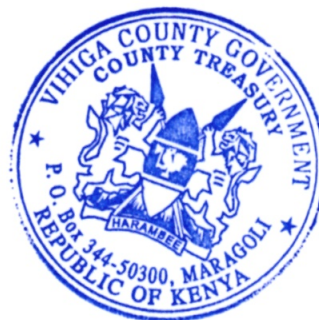
Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
NAIROBI, KENYA

h) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
NAIROBI, KENYA

i) Principal Legal Adviser

The County Attorney
P.O. Box 344
Maragoli, KENYA



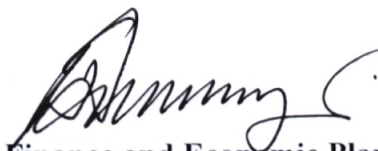
2. Statement by the CECM Finance

This is the Annual Report and Financial Statement for the year ending 30th June 2023. The AR & FS is prepared in fulfilment of Article 228(6) of the constitution of Kenya. Its primary objective is to provide an analysis of the budget implementation in the financial year 2022/23. Accordingly, the report analyses the County Government performance for the period under review, with specific focus on expected versus achieved revenue targets, expenditure analysis, statements of assets and liabilities and statement of cash flows.

The reporting framework for the AR & FS is based on the operational and reporting guidelines which were developed by the Nation Treasury and State Department of Planning. As a standard procedural practise, every end financial year all National Government Departments and Agencies including County Government are required prepare and submit to the National Treasury the Annual Report and Financial Statements. Although the report focuses primarily on the County Government during the fiscal year 2022/23, information from the previous financial years have been incorporated in compiling this report. This served the purpose of providing both current information as well as fair representation of the annual assessment.

In FY2022/23, the aggregated approved budget for the County Government of Vihiga was Kshs 6,488,021,712 and comprised of Kshs.4,551,024,745 (70%) for recurrent expenditure and kshs 1,936,996,967 (30%) for development programmes. It is worth noting that the allocation for development expenditure conformed to section 107(2)(b) of the PFM Act 2012 which requires that over the medium term a minimum of thirty percent (30%) of the budget be allocated to development expenditure. To finance the approved budget the county government of Vihiga was expected to receive an allocation that comprised of Kshs 5,483,330,684 being equitable share of revenue raised nationally, Kshs 720,617,820 conditional allocation from the national government and development partners, Kshs. 284,073,208 from own source revenue. During the year, the County received Kshs. 5,624,089,983 from the National government. The transfer comprised of Kshs 5,472,745,376 equitable share, Kshs 151,344,607 conditional grants, and Kshs. 229,848,536 actual own source revenue in which kshs 106,807,182 received in CRF account and Kshs 1,521,115 unspent balances carried forward from the previous financial year.

Sign



CECM Finance and Economic Planning

County Government of Vihiga



3. Management Discussion and Analysis

Article 202 of the Constitution of Kenya provides that revenue raised nationally shall be shared equitably among the National Government and the County Governments. Each County Government's equitable share of revenue raised nationally, is determined yearly through the County Allocation of Revenue Act (CARA).

The County also finances its operations through own generated revenues. These are revenues collected within the County. The key local revenue sources for Vihiga County includes business permits, land rates, business plan approval, advertising fees, cesses, parking fees and various other administrative charges.

The County continues to explore new and innovative ways of increasing its local revenue collections. Some of the steps that the County intends to take towards improving its revenue collections include:

- 1) Automation of revenue collection system – the County is currently using POS system in the department of Health. The construction of an ultra- modern data centre will pave way for automation of all revenue streams. Automation of revenue will reduce revenue leakages.
- 2) Review of the finance Act 2020 and Trade licensing Act 2017. This will align revenue rates with those charged by other counties in the region.
- 3) Introduction and innovation of more new revenue streams
- 4) Employment of county more revenue clerks and enforcement officers to enhance capacity of revenue section
- 5) Allocation of more vehicles to the revenue section to enhance service delivery

a) Revenue

In the year ended 30th June 2023, the County had projected revenues of Kshs 6,488,021,712 consisting of Kshs.284,073,208 from own sources, Kshs 5,067,356,827 from Equitable Share, Kshs 720,617,821 from domestic and foreign grants while Kshs 415,973,857 as balance brought forward from previous financial year 2021/2022.

Out of the projected revenue, the County was able to realize Kshs 5,855,459,634 in actual revenues, out of this amount Kshs 1,151,115 was from unspent balances brought for FY 2021/2022. The county did not meet its projected local revenue targets as it collected Kshs 229,848,536 out of the projected Ksh 284,073,208, translating to 81% realization.



Table 1: Revenue performance in FY 2022/2023

Revenue classification	Revenue budget (Kshs)	Actual (Kshs)	Realization (%)
Equitable Share	5,483,330,684	5,472,745,376	100%
Domestic and Foreign Grants	720,617,821	151,344,607	21%
Own generated revenues	284,073,208	229,848,356	81%
Balance brought forward	-	1,521,115	-
Total	6,488,021,712	5,855,459,634	90%



4. Statement of Management Responsibility

Article 207 of the Constitution, Sections 109 and 167 of the Public Finance Management Act, 2012 requires a County Revenue Fund established by the Constitution, an Act of Parliament or county legislation shall prepare financial statements for the Fund for each financial year in a form prescribed by the Public Sector Accounting Standards Board and submit to the Auditor General and a copy to the Commission on Revenue Allocation and the Controller of Budget.

The Accounting Officer of the County Government is responsible for the preparation and presentation of the County Revenue Fund financial statements, which give a true and fair view of the state of affairs of the Fund as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the County Revenue Fund; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the Financial Statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the County Executive; (v) Selecting and applying appropriate accounting policies; and (iv) Making accounting estimates that are reasonable in the circumstances.

The Accounting Officer accepts responsibility for the County Revenue Fund's financial statements, which have been prepared on the Cash Basis Method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the County Revenue Fund's financial statements give a true and fair view of the state of the County Revenue Fund's transactions during the financial year ended June 30, 2023, and of its financial position as at that date.

The Accounting Officer further confirms the completeness of the accounting records maintained for the County Revenue Fund which have been relied upon in the preparation of its financial statements as well as the adequacy of the systems of internal financial control. The Accounting Officer confirms that the County Revenue Fund has complied fully with applicable Government Regulations and the terms of external financing covenants. Further, Accounting Officer confirms that the County Revenue Fund's Financial Statements have been prepared in a form that complies with relevant Accounting Standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the Financial Statements

The County Revenue Fund's financial statements were approved and signed on 25th September, 2023.

Signature _____

Name: CPA James Atemba
Chief Officer - Finance
County Government of Vihiga



5. Overview of the County Revenue Fund Operations

Background

Article 207 of the Constitution of Kenya provides for the establishment of a County Revenue Fund into which shall be paid all money raised or received by or on behalf of the County Government. As outlined under Section 109 of the Public Finance Management (PFM) Act, 2012 the County Treasury is responsible for administration of the County Revenue Fund. The County Revenue Fund is maintained as the County Exchequer Account at the Central Bank of Kenya.

Receipts into the County Revenue Fund

County Government revenue is received through appointed County Receiver of Revenue by the County Executive Committee Member for finance to the County Treasury pursuant to Section 157 (1) of the PFM Act 2012. Other receipt includes Exchequer releases, grants from development partners, proceeds from domestic and foreign borrowings, and other miscellaneous deposits in the County Revenue Fund Account.

Transfers from the County Revenue Fund

The withdrawal of funds from the County Revenue Fund is authorized by the County appropriation Act. The County Treasury is required to seek the Controller of Budget's approval for withdrawal of funds from the County Revenue Fund to the County Executive and County Assembly bank accounts. These entities are responsible for the administration of their respective approved budgets.

Financial Reporting requirements

The Accounting Officer for the County Revenue Fund is required to prepare and submit the financial statements to the Auditor-General and a copy to the Controller of Budget, and the Commission on Revenue Allocation.

This statement therefore covers the operations of the County Exchequer Account for the financial year ended 30th June 2023.



.....
Name: CPA James Atemba
Chief Officer –Finance



REPUBLIC OF KENYA

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Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON COUNTY REVENUE FUND FOR THE YEAR ENDED 30 JUNE, 2023 - COUNTY GOVERNMENT OF VIHIGA

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Revenue Fund - County Government of Vihiga set out on pages 1 to 10, which comprise of the statement of receipts and payments 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 Revenue Fund - County Government of Vihiga as at 30 June, 2023, and of its financial performance for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis), and comply with the Public Finance Management Act, 2012 and the County Governments Act, 2012.

Basis for Qualified Opinion

1. Unreported Revenue from Own Source Revenue

The statement by CECM Finance and Economic Planning at page (iv) of the financial statements indicates that the county own source revenue amounted to Kshs.229,848,536 which is also corroborated by Management Discussion and Analysis of the report. However, the statements by the Receiver of Revenue reported actual own source revenue of Kshs.107,355,435 resulting in an unexplained and unreconciled balance of Kshs.122,493,101.

In the circumstances, the accuracy and completeness of the own source revenue of Kshs.229,848,536 could not be confirmed.

2. Return to CRF Issues

The statement of receipts and payments in the financial statements reflects total receipts of Kshs.5,732,418,280 which includes return to County Revenue Fund (CRF) issues of Kshs.1,521,115. However, such returns as communicated through The National Treasury Circular Ref: AG.4/16/2/Vol.3(72) dated 30 June, 2021 should only cover funds returns from County Assembly and ceases to include returns to CRF for County Executives. Contrary to this requirement, other County Executive cash books were affected as detailed below:

Date	Reference	Details of Transfer	Amount (Kshs.)	Source
28 July, 2022	FT22209YRSS1	REF:VCA/ADM/1/5/VOL.IV/297	46,880	County Assembly
29 July, 2022	FT2221094P5B	REF:FIN.3/41/VOL.II/28 DD 27072022	48,073	Finance
29 July, 2022	FT222106YCJF	REF:FIN.3/41/VOL.II/28 DD 27072022	1,285,086	Finance
05 August, 2022	FT22217145KK	Inward RTGS Payment MT 103	141,074	Finance
			1,521,115	

In addition, all the affected cash books as detailed above were not provided for audit verification.

Further, according to The National Treasury Circular Ref: AG.4/16/2/Vol.3(72) dated 30 June, 2021 on revised annual Financial Reporting Templates for the National, County Government and County Government entities provides that the note on "Return to CRF issues" has been reviewed to cover funds returns to CRF by County Assembly. The note ceases to include returns to CRF for County Executives since the funds are included in the CRF bank account under the County Executive.

In the circumstances, the accuracy of the amount reflected in the statement of receipts and payments of Kshs.1,521,115 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Revenue Fund - County Government 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 qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.6,488,021,712 and Kshs.5,855,459,634 respectively resulting to revenue shortfall of Kshs.632,562,078 or 10% of the budget.

Similarly, the Fund disbursed Kshs.5,548,569,606 against an approved budget of Kshs.6,488,021,712 resulting to an under-disbursement of Kshs.939,452,106 or 14% of the budget.

The shortfall in receipts and under disbursements affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is however not modified in respect of the above matter.

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.

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. Late Disbursement of Funds to the County Executive

The statement of receipts and payments reflects transfers to County Executive of Kshs.4,928,188,384 from the CRF account. It was however noted that an amount of Kshs.4,497,527,947 was received by the County Executive as at 30 June, 2023. The balance of Kshs.430,660,437 was received between 3rd to 7th, July after the closure of the financial year. It was also noted that the receipts amounting to Kshs.430,660,437 was recognized in the cash back even before the amount was actually received which is contrary to International Public Sector Accounting Standards (Cash Basis) reporting requirement and Section 97(1) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, Management was in breach of the law.

2. Closing of Fund Balance

The statement of receipts and payments reflects a closing balance for the period of Kshs.272,777,636 being funds that had not been absorbed by the County Government of Vihiga as at 30 June, 2023.

In the circumstances, the intended purpose for which the funds were set to implement may not have been achieved.

3. Under-Collection of Own Source Revenue/Decrease in Collection Compared to the Prior Year

The statement of receipts and payments reflects own source revenue amount of Kshs.106,807,182 as at 30 June, 2023 which when compared with Kshs.123,646,865 reported as at 30 June, 2022, results to a decrease on own source revenue by Kshs.16,839,683 or 14%.

Further, in the year under audit, the County had projected to collect Kshs.284,073,208 from its local revenue sources including Appropriation in Aid. However, only Kshs.229,848,536 was collected leading to a variance of Kshs.54,224,672 or 19%.

In the circumstances, the effectiveness of internal controls measures of revenue collection could not be confirmed.

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 has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

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 controls, 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 controls 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability 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 Fund 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 Fund's financial reporting process, reviewing the effectiveness of how Management 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 controls 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 the Fund'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 controls.

- 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 Fund'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 Fund 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 Fund 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 controls that are identified during the audit.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

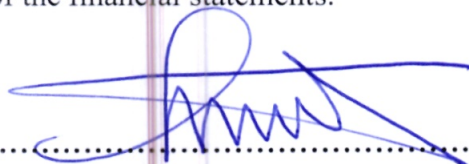
Nairobi

19 February, 2024

7. Statement of Receipts and Payments Statement for the year ended 30th June, 2023

		2022/23	2021/22
	Notes	Kes	Kes
Receipts			
Exchequer releases	1	5,624,089,983	4,909,510,087
Own Source Revenue	3	106,807,182	123,646,865
Return to CRF issues	4	1,521,115	49,031,479
Total Receipts		5,732,418,280	5,097,188,431
Payments			
Transfers to County Executive	5	4,928,188,384	4,471,161,499
Transfers to County Assembly	6	620,381,222	670,574,254
Total Payments		5,548,569,606	5,141,735,753
Net increase (decrease) in cash for the year		183,848,674	(44,547,322)
Add Opening fund balance b/f	7	88,928,962	133,476,284
Closing Fund balance for the period	7	272,777,636	88,928,962

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.



Name: CPA James Atemba
 Chief Officer - Finance



Name: CPA Benjamin Otwoko
 Director Accounting Services
 ICPAK Member No: 5177

Date: 25/9/2023

Date: 25/9/2023

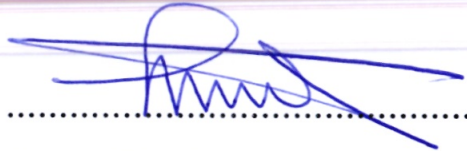


8. Statement of Comparison of Budget Actual Amounts for the year ended 30th June, 2023.

Receipt/Payments	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Realisation Difference	% of Realisation
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Exchequer releases	5,483,330,684		5,483,330,684	5,472,745,376	10,585,308	100
Other conditional grants	805,284,328	(84,666,508)	720,617,820	151,344,607	569,273,213	21
Own Source Revenue	284,073,208	-	284,073,208	229,848,536	54,224,672	81
Return to CRF issues (unspent balance)	-		-	1,521,115	(1,521,115)	-
	6,572,688,220	(84,666,508)	6,488,021,712	5,855,459,634	632,562,078	90
Payments		-	-		-	
Transfers to County Executive	5,931,085,084	(84,666,508)	5,846,418,576	4,928,188,384	918,230,192	84
Transfers to County Assembly	641,603,136	-	641,603,136	620,381,222	21,221,914	97
Others		-	-	-	-	-
Total Payments	6,572,688,220	(84,666,508)	6,488,021,712	5,548,569,606	939,452,106	86
Balance	-	-	-	306,890,028		



The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.



Name: CPA James Atemba
Chief Officer - Finance

ICPAK Member No: 24296

Date: 25/9/2023



Name: CPA Benjamin Otwoko
Director Accounting Services

ICPAK Member No: 5177

Date: 25/9/2023



9. Significant Accounting Policies

a) Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the Cash-Basis of accounting, as prescribed by the PSASB and Section 167 of the PFM Act 2012.

The Financial Statements are presented in Kenya Shillings, which is the functional and reporting currency of the Fund, all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

b) Reporting entity

This report relates to financial operations of the County Revenue Fund domiciled at the County Treasury and bank account maintained at Central Bank of Kenya.

c) Receipts

Receipts include funds deposited in the County Revenue Fund pursuant to Article 207 of the Constitution of Kenya and Section 109 of the PFM Act 2012.

The receipts collected include Exchequer releases, own source revenue, grants from development partners, proceeds from domestic and foreign borrowings, and other miscellaneous deposits in the County Exchequer Account.

Transfers from the exchequer are recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

County own source revenue is recognized as receipts when the funds are received in the County Exchequer Account.

d) Payments

Payments are based on the County Government Appropriation Act. The exchequer requests are received by County Treasury, which rationalizes the requests based on the available balance, consolidates the requests and forwards them to Controller of Budget (COB) for approval. Once the approval of COB is obtained, the funds are released to the County Assembly and County Executive operational accounts appropriately.



Significant Accounting Policies (Continued)

e) Fund Balances

Fund balances comprise bank balances in County Exchequer Account held at Central Bank of Kenya.

f) Restriction on Cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. There were no other restrictions on cash during the year.



10. Notes to the Financial Statements**1. Exchequer releases**

The following is an analysis by revenue type of the receipts collected in the County Revenue Fund:

	2022/2023	2021/2022
	Kshs.	Kshs.
Equitable Share	5,472,745,376	4,661,968,278
Others - NARIGP, NI,DANIDA,CLIMATE CHANGE,KUSP	151,344,607	247,541,809
Total	5,624,089,983	4,909,510,087

2. Transfers from other government agencies**

	2022/23	2021/22
	Kshs.	Kshs.
Nutrition International - Ministry of Health	-	15,000,000
	-	15,000,000

3. Own Source Revenue

Description	2022/23	2021/22
	Kshs.	Kshs.
Cess	5,584,401	4,402,551
Land/Poll rate	1,526,368	2,569,263
Single/Business permits	19,949,842	22,405,402
Property rent	8,935,032	8,324,014
Parking fees	31,063,100	35,198,018
Market fees	13,840,932	14,624,916
Advertising	11,080,552	16,044,539
Hospital fees	-	



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 County Revenue Fund
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Vetrinary Services	2,271,634	7,212,989
Physical planning and development	5,676,900	5,092,070
Hire of County Assets	368,350	405,960
Conservancy administration	143,200	13,200
Administration control fees and charges	4,122,900	5,779,720
Park fees	-	-
Other fines, penalties, and forfeiture fees	1,683,000	1,413,300
Miscellaneous	1,109,225	160,923
Others (<i>Specify</i>)	-	-
Total	107,355,436	123,646,865
DISBURSED TO CRF	106,807,182	123,646,865

(The total of own source revenue should tally with disbursements from county receiver of revenue)

4. Return to CRF Issues

	2022/23	2021/22
	Kshs.	Kshs.
Recurrent Account (<i>County Executive</i>)	1,521,115	49,031,479
Total	1,521,115	49,031,479

5. Transfers to County Executive

	2022/23	2021/22
	Kshs.	Kshs.
Recurrent Account	4,053,989,993	3,898,289,089
Development Account	874,198,391	572,872,410
Special purpose Accounts	-	-
Total	4,928,188,384	4,471,161,499

(Explain as per County Appropriation Act)



6. Transfers to County Assembly

	2022/2023	2021/2022
	Kshs.	Kshs.
Recurrent Account	605,906,885	659,609,764
Development Account	14,474,337	10,964,490
Total	620,381,222	670,574,254

(Explain as per County Appropriation Act)

7. Fund balance

	2022/23	2021/22
	Kshs.	Kshs.
County Exchequer Account –(1000171456)	272,777,637	88,928,962
Total	272,777,637	88,928,962

8. Disclosure of Balances in Revenue Collection Accounts

County Government Own source revenue is recognized in the financial statements when it has been swiped to CRF. Revenue collection account balances are disclosed as at the end of the reporting period as below.

Name of Bank, Account No. & currency	Amount in bank account currency*	Ex. rate (if in foreign currency)	2022/2023	2021/2022
			KShs	KShs
Vihiga County Revenue Fund- CBK-1000171456	Kes	n/a	272,777,637	88,928,961
Vihiga County Revenue Collection Account- KCB-1140749552	Kes	n/a	1,637,512	1,368,505
Vihiga FM Radio Station Revenue - 1226509320	Kes	n/a	110,197	-
Vihiga County FIF Account- Coop-01141471202700	Kes	n/a	8,137,876	5,258,162
Total			282,663,222	95,555,628



(These balances should be reconciled by those reported by CRORs as balances due for disbursement to the CRF at the end of the reporting period.)



11. Annexes

Annex 1: Progress on follow up of Auditor’s Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor;

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
N/A	N/A	N/A	N/A	N/A
1.	Misstatement of Comparative Year Balances	The Management has taken note on the Audit observation and has committed to adjust, since this was the first FS under CRF	Not Resolved	28.11.2023
2.	Unsupported Return to CRF Issues	This was well shared to the Auditor and both parties agreed.	Resolved	28.11.2023
3.	Unsupported Fund Balance	The management has taken note and committed to adjust going forward	Not Resolved	28.11.2023
	Budgetary Control and Performance	Management has taken note and agreeing with the auditors’ observations, hopefully the National treasury will improve in fund disbursement	Not resolved	28.11.2023

.....
 Name: CPA James Atemba
 Chief Officer Finance
 ICPAK Member No.:
 Date: 25.09.2023



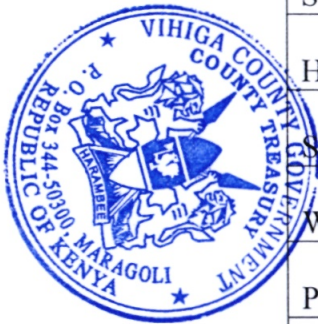
Annex 2. Analysis of Receipts from the National Treasury Exchequer Releases

Period 2022/2023	Quarter 1 (Kshs.)	Quarter 2 (Kshs.)	Quarter 3 (Kshs.)	Quarter 4 (Kshs.)	Total (Kshs.)
Equitable Share	1,241,502,425	836,113,876	836,113,876	2,559,015,199	5,472,745,376
DANIDA - Universal Healthcare in Devolved Units Programme	-	-	-	14,966,438	14,966,438
National Agricultural & Rural Inclusive Growth Project (NARIGP)	-	-	-	105,120,632	105,120,632
Nutrition International	-	2,500,000	-	-	2,500,000
Kenya Urban Support Programme	-	-	-	2,339,915	2,339,915
Agriculture Sector Development Support Project (ASDSP)	-	-	4,417,622	-	4,417,622
Climate Change	-	-	11,000,000	11,000,000	22,000,000
Total	1,241,502,425	838,613,876	851,531,498	2,692,442,184	5,624,089,983



Annex 3. Analysis of Receipts from Own Source Revenue per Quarter

Period 2022/2023	Quarter 1 (Kshs.)	Quarter 2 (Kshs.)	Quarter 3 (Kshs.)	Quarter 4 (Kshs.)	Total (Kshs.)
PARKING FEE	835,570.00	1,415,260	1,749,820.00	797,700.00	4,798,350.00
BUS PARK	6,017,520.00	6,166,460	7,038,590.00	7,020,380.00	26,242,950.00
MARKETS	3,272,572.00	3,657,920	3,741,350.00	3,169,090.00	13,840,932.00
SINGLE BUSINESS PERMITS	1,092,302.00	977,195	8,769,675.00	6,841,395.00	17,680,567.00
CONSERVANCY FEE	200,000.00	121,000	916,000.00	1,032,274.60	2,269,274.60
LAND RATES	204,261.00	230,681	951,989.00	139,437.00	1,526,368.00
STALL RENT	422,100.00	413,100	393,200.00	485,200.00	1,713,600.00
HOUSE RENT	2,770,453.00	2,087,967	688,516.00	724,997.55	6,271,933.55
SAND\MURRAM	-	500	-	-	500.00
WATER ADM FEES	238,450.00	76,200	416,817.00	111,100.00	842,567.00
PLAN APPROVAL	492,400.00	533,751	701,000.00	1,220,350.00	2,947,501.00
PHYSICAL PLANNING	215,500.00	228,000	390,500.00	387,500.00	1,221,500.00
GROUND/SITE /PLOT RENT ADVERTISEMENT	1,500.00	39,100	206,985.00	110,083.00	357,668.00



County Government of Vihiga

County Revenue Fund

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	264,279.00	163,500	1,271,230.00	835,550.00	2,534,559.00
WALL & VEHICLE BRANDING	134,400.00	498,913	2,769,600.00	4,762,300.00	8,165,213.00
LAND BOUNDARY\DISPUTES	36,000.00	94,000	52,000.00	64,000.00	246,000.00
SLAUGHTER MANAGEMENT	29,820.00	15,600	7,500.00	5,100.00	58,020.00
STOCK SALES	422,340.00	667,630	630,720.00	706,060.00	2,426,750.00
MOTORBIKE STICKERS	-	-	-	21,800.00	21,800.00
WEIGHTS & MEASURES	11,200.00	9,600	164,600.00	76,200.00	261,600.00
SIGNAGE/SIGN POSTS	-	6,400	76,400.00	18,600.00	101,400.00
WAY LEAVE APPLICATION	-	21,120	-	-	21,120.00
VETERINARY & FISHERIES	442,290.00	539,250	582,460.00	649,613.60	2,213,613.60
HOARDING	-	-	-	6,000.00	6,000.00
SEARCH FEES	-	-	2,000.00	-	2,000.00
RENOVATION	44,000.00	11,500	4,000.00	19,000.00	78,500.00
BUILDING INSPECTION FEE	263,000.00	156,200	260,500.00	201,300.00	881,000.00
HIRE OF MACHINES	-	85,720	180,270.00	102,360.00	368,350.00
FIRE INSPECTION FEE	42,000.00	223,500	217,500.00	313,000.00	796,000.00



SCRUTINY MECHANICAL	83,500.00	101,700	90,500.00	83,000.00	358,700.00
SCRUTINY ELECTRICAL	139,000.00	178,700	178,500.00	142,500.00	638,700.00
LIQUOR LICENCE FEE	1,751,300.00	333,000	734,433.00	200,000.00	3,018,733.00
NOISE POLLUTION	2,200.00	68,000	8,800.00	64,200.00	143,200.00
TOILET FEES	119,470.00	139,150	169,800.00	163,410.00	591,830.00
CHANGE OF USER/PLOT TRANSFER	-	10,000	24,000.00	27,479.00	61,479.00
TEA CESS	1,985,003.00	266,598	477,138.00	428,412.25	3,157,151.25
MISCELLANEOUS INCOME	-	930,471	178,754.00	-	1,109,225.00
VIHIGA FM RECIEPTS	167,800.00	152,480.00	50,000.00	10,500.00	380,780.00
N.H.I.F RECEIPTS (A.I.A)	10,749,405.00	15,952,633.00	21,122,109.00	18,682,763.00	66,506,910.00
HOSPITALS- CASH (A.I.A)	10,904,313.00	13,177,214.00	14,790,401.50	14,367,536.00	53,239,464.50
PUBLIC HEALTH (A.I.A)	523,850.00	383,402.00	981,754.00	857,720.00	2,746,726.00
TOTAL	43,877,798.00	50,133,415.00	70,989,411.50	64,847,911.00	229,848,535.50





Annex 3: Analysis of Transfers from the County Revenue Fund

Period -2022/2023	Quarter 1 (Kshs.)	Quarter 2 (Kshs.)	Quarter 3 (Kshs.)	Quarter 4 (Kshs.)	Total (Kshs.)
County Executive -Rec	746,070,859	907,305,204	632,000,182	1,768,613,748	4,053,989,993
County Executive -Dev	106,585,872	218,512,534	116,822,045	432,277,940	874,198,391
County Assembly -Rec	87,027,375	139,809,136	92,917,242	286,153,132	605,906,885
County Assembly -Dev	-	-	8,241,193	6,233,144	14,474,337
Total	939,684,106	1,265,626,874	849,980,662	2,493,277,964	5,548,569,606

