



Wajir County's

AUDITOR GENERAL REPORT

2016/2017

Simplified version





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BACKGROUND 1

1.1 Our History, Scope and Partnerships in Advocacy

The Kenya Human Rights Commission (KHRC) is a premier and flagship Non-Governmental Organization (NGO) in Africa that was established and incorporated on 9th April 1992 by Kenyans exiled in the United States of America (USA) and later registered in Kenya on 20th of January 1994. KHRC founders are among the foremost leaders and activists in struggles for human rights, good governance and democratic reforms in Kenya and beyond. Our **mandate** is to enhance a human rights-centred governance at all levels, while our **vision** is to secure human rights states and societies and our **Mission** is to foster human rights, democratic values, human dignity and social justice¹. This mandate and vision are executed under four independent strategic objectives and thematic programmes; Economic and Social Justice (ESJ); Transformative Justice (TJ); Inclusion and Identity (I&I) and Institutional Support and Development (ISD). All these programmes work in synergy. The KHRC works with grassroots based organizations including over thirty Human Rights Networks (HURINETS) across the counties; partners with national level - state and non-state actors and coalitions; and with sub-regional, regional and international human rights organizations and networks.

1.2 Our Interventions against Corruption and Related Injustices in the Society

We have identified corruption at both the national level and in devolved governance as one of the issues for policy and political advocacy. Corruption has established bad governance characterized by the lack of transparency, accountability, public participation, an enabling legal/judicial framework in the conduct of public affairs, particularly in public procurement. This has institutionalized impunity allowing systemic abuse and ineffective use of public resources. As an attempt to disrupt the corrupt system, the KHRC has conducted anti-corruption researches/studies which has generated evidence for advocacy at both the national and county levels of governance. We also actively convene anti-corruption dialogues, through the annual “People’s Anti-corruption Summits” with both political actors and the public. Moreover and through the above-mentioned HURINETS at the community level, we create citizens’ awareness on the prevalence of corruption and increase their capacity to effectively engage and demand for prudence and probity in the conduct of governments’ businesses at both the national and devolved levels.

¹ KHRC strategic plan

1.3 The Initiative to Simplify and Disseminate the Auditor Generals Reports

The Constitution provides that the Office of the Auditor General (OAG) has the primary oversight role of assuring accountability within the three arms of Government, Independent Commissions, Independent Offices and County Government entities. Specifically, the OAG has the mandate to audit and report to stakeholders on the fairness, effectiveness and lawfulness in the management of public resources. Vigilant citizens can then use these audit reports to oversight both county and national governments. Related to our interventions against Corruption, we are enhancing public understanding of the Auditor Generals' report around the select counties (Kwale, Wajir, Kisumu, Makueni and Kakamega), with the view to empowering Human Rights Networks to take appropriate actions on the implementation of the report's recommendations. It's in this regard that the KHRC is developing simplified version of these reports and unpacking manifestation of corruption, particularly in county governance. The key objective of this work is to deepen citizens' understanding of the auditor general's reports; unearth corruption in public procurement process, so that they can politically organize and take appropriate actions aimed at promoting transparency, accountability and participation in devolved governance, and influence policy and legislative reforms at both the county and national levels.

1.4 Simplification of the Auditor General's report for Wajir County

Although the OAG has produced both the county assembly and county executive audit reports annually, there has been minimal citizen utilization to demand for transparency and accountability from the county government of Wajir. Part of the issue is that citizens in the county cannot easily access, read and understand the contents of the audit reports. The reports are mainly accessed on the website of the auditor general which is challenging for those without internet access and for those who do not understand how to access documents online. For those citizens who are able to access the reports, the language used in the reports is very technical making it difficult to understand. Accessing the documents online is also expensive to the common citizens. The reports are also quite lengthy making reading them difficult and time consuming. To empower citizens in Wajir County to effectively access, read, understand and demand action from their County Government, the Kenya Human Rights Commission (KHRC) has developed this simplified version of the Auditor General's report, for the financial year 2016/2017. The report uses easy to read language and explains technical terms to allow the reader to fully understand the contents.

No changes were made to the figures, meaning, conclusions and other relevant content found in the full version of the Auditor General's report.

REPORT ON THE COUNTY EXECUTIVE OF WAJIR 2

2.1 Overview of the audit report of the County Executive of Wajir

	ISSUE	FINDINGS
2.1.1.	Cash and cash equivalents	
	a) Unsupported Bank Balances	Bank balances of Kshs.374,130,657 could not be confirmed
	b) Revolving Fund Account	Accuracy of the revolving bank account balance could not be confirmed
	c) Central Bank of Kenya Deposit Account	Accuracy of the CBK deposit account balance could not be confirmed
2.1.2.	Summary of Fixed Assets Register	Accuracy, validity and completeness of the fixed assets balance of Kshs.4,320,247,061 could not be confirmed
2.1.3	Pending Bills	Legality, authenticity and validity of Kshs.1,166,677,786 disclosed as pending bills could not be confirmed
2.1.4	Construction of Water Pans	Value for money of Kshs.460,106,400 spent on water pans may not have been realised
2.1.5	Irregular procurement of Overhaul and Refurbishment of Construction and Civil Works	Propriety and validity of Kshs.9,139,190 could not be confirmed
2.1.6	Commissioning, Purchase, Delivery and Installation of 545 Solar Street Lights	Due diligence was not used, public procurement procedures neglected and value for money was not realised from Kshs.179,444,500
2.1.7	Irregular Award of Contract for Road Works	Contract was not fairly awarded and value for money was not realised
2.1.8	Irregular Contracts for Capital Projects	It was not possible to determine the propriety and value for money of Kshs.237,424,424.97
2.1.9	Delayed Capital Projects	
	a) Delayed Road Projects	It was not possible to confirm the authenticity of payments made
	b) Delayed Construction of County Assembly	Propriety and value for money of Kshs.134,538,264.98 could not be confirmed
2.1.10	Unaccounted for Medical Equipment and other specialised materials	Propriety of Kshs.88,182,391 could not be confirmed
2.1.11	Unauthorised Emergency Fund Account Spending	It is not possible to confirm the Emergency funds as a proper charge on public funds
2.1.12	Repair of Motor Vehicle	Propriety of Kshs.21,777,700 could not be confirmed
2.1.13	Unaccounted for Contingency Reserves	Civil Funds were not accounted for as required and it was not possible to confirm whether the funds were used for the intended purpose
2.1.14	Domestic Travel and Subsistence Allowance	It was not possible to confirm the authenticity and value for money of Kshs.13,528,100

	ISSUE	FINDINGS
2.1.15	Purchase of Furniture, Equipment and Other Stores	It was not possible to confirm the propriety of Kshs.13,975,592
2.1.16	Unauthorised Reallocation of Funds	County Executive was in breach of the law and money was not used for intended purposes
2.1.17	Payment for Research and Studies	Expenditure Kshs.3,184,640 could not be confirmed as a proper charge to public funds
2.1.18	Payment for legal services	Competitiveness and fair pricing of Kshs.6,000,000 could not be confirmed
2.1.19	Contribution to Council of Governors	Utilisation and value for money of Kshs.14,747,625 could not be confirmed

2.2 Qualified Opinion

The opinion of the Auditor-General following the audit carried out on the County Executive of Wajir for year ended 30 June 2017 was a qualified opinion.

Key note

Qualified opinion means that although the financial transactions recorded are mostly in agreement with the records, there may be cases where the Auditor-General is unsatisfied with the accuracy of certain expenditures. Therefore, except for unsupported expenditure, the account reflects by and large a true and fair situation.

As part of the audit, the Auditor-General reviewed the following financial statements:

- Statement of financial assets and liabilities
- Statement of receipts and payments
- Statement of cash flows
- Statement of appropriation: recurrent and development combined
- Summary of significant accounting policies
- Other explanatory information

2.3 Why the County Executive received a Qualified Opinion

2.3.1 Cash and cash equivalents

a) Unsupported Bank Balances

The County Executive of Wajir had a bank balance of Kshs.374,130,657 shown in the financial statements. Included in this balance are Central Bank of Kenya (CBK) Special Purpose account and CBK deposit account with nil balances. However, no cash books, bank statements and certificates of bank balances were made available for audit review to confirm the reported balances.

Therefore, the bank balances of **Kshs.374,130,657** could not be confirmed.

b) Revolving Fund Account

The financial statements disclosed a revolving fund account with nil balance. However, the cash book for the account was not balanced and closed as at 30 June 2017 and no board survey was carried out at the end of the financial year. Also, the bank reconciliation statement indicated a cash book balance of Kshs.143,824 as at 30 June 2017 against the nil balance reported in the financial statements. In addition, the bank statement and the certificate of bank balance as at 30 June 2017 reflected a bank balance of Kshs.212,239.63

Therefore, the accuracy of the revolving bank account balance could not be confirmed.

c) Central Bank of Kenya Deposit Account

Key note
Bank reconciliation statement is a statement which allows you to compare the bank records with your own accounting records

The financial statements show a Kenya Commercial Bank deposit account balance of Kshs.12,487,931. Although the balance was supported by a cashbook and board survey carried out on 30 June 2017, the certificate of bank balance and bank statement for the same account reflected a balance of Kshs.16,585,047. Therefore, there was an unexplained difference of Kshs.4,097,116. Also, no bank reconciliation statements were prepared and presented for audit review.

Therefore, the accuracy of the CBK deposit account balance could not be confirmed.

2.3.2 Summary of Fixed Assets Register

The summary of fixed assets register disclosed a fixed assets balance of Kshs.4,320,247,061. However, the County Executive brought forward a balance of Kshs.3,832,258,027 and acquisition during the year of Kshs.3,647,161,839. Therefore, there was an unexplained difference of Kshs.3,159,172,805.

Contrary to Section 136(1) of the Public Finance Management Regulations, 2015 the County Executive did not maintain a fixed asset register record. Furthermore, the assets inherited from the defunct local authorities were not disclosed.

Therefore, the accuracy, validity and completeness of the fixed assets balance of **Kshs.4,320,247,061** could not be confirmed.

2.3.3 Pending Bills

The financial statements disclosed shows the balance of Kshs.1,166,677,786 as pending bills. However, pending bills of Kshs.246,979,416 were not supported with a list of creditors and Local Purchase Orders (LPO) as required.

Key note

Local purchase order (LPO) is a document created by the buyer to the seller to purchase a product

Further, Kshs.70,461,581 of the pending bills related to the financial years 2014/2015 and 2015/2016 which had not previously been captured as pending bills and therefore not supported. In Addition, Kshs.631,710,287 of the pending bills were commitments without budget allocation. No equivalent amount of money was in the bank accounts at the close of the financial year since the bank balance as at 30 June 2017 was Kshs.374,130,657.

The County Executive underspent in the recurrent budget by Kshs.211,665,447 and in the development budget by Kshs.254,639,076 totalling to Kshs.466,304,523. However, the County Executive has pending bills of Kshs.1,166,677,786 at the close of the financial year.

Therefore, the legality, authenticity and validity of **Kshs.1,166,677,786** disclosed as pending bills could not be confirmed.

2.3.4 Construction of Water Pans

According to the financial statements, the County Executive spent Kshs.1,373,601,398 as Construction and Civil Works. Out of this, Kshs.460,106,400 was for the construction of Mega Water pans for human and livestock use. Although the expenditure was planned for and procured through open tender, there was no needs assessment carried out before the projects were implemented. Further, soil topography tests were not done in order to test the water retention ability of the soil where the water pans were constructed.

Therefore, the value for money of **Kshs.460,106,400** spent on water pans may not have been realised.

2.3.5 Irregular procurement of Overhaul and Refurbishment of Construction and Civil Works

Contracts were awarded for the gravelling of Gurar- Ajawa, Sitawario, Sarif-Dadajabuta and Ganyure-Shantaabaq roads. An examination of records revealed the following issues:

- i. Bidders were required to either have or lease equipment such as excavators, rollers and so on. The bidders did not however support their bids with copies of log books or produce lease documents for the plants and equipment.
- ii. Scrutiny of the company profiles revealed that authenticity of documents provided by bidders such as documents supporting previous work done, financial statements and ownership documents were not certified.
- iii. Bidders were required to submit audited financial statements for the past three years however some bidders submitted only for one year.
- iv. The lowest bidder was unfairly eliminated from the tender for gravelling Gurar-Ajawa road for not having its lease agreement certified as a true copy of the original. The contract was awarded to the second lowest bidder who also did not have documents certified as a true copy of the original. The difference between the two sums quoted by the bidders was Kshs.5,196,353
- v. The tender opening committee did not sign one or more pages of the tender documents as required by Section 78(9) of the Public Procurement and Asset Disposal Act, 2015.
- vi. At the time of audit, the entire contract sum was paid to the contractors. However, the payment vouchers were not authorised by the accounting officers and no retention money and withholding tax were deducted from the contractors' payments as required. Also, physical verification on 9 December 2017 revealed that gravelling at Ganyure-Shantaabaq were not done according to contract specifications despite a certificate of completion being issued to the contractor.

- vii. The County Executive paid Kshs.9,139,190 to the contractors being prime cost and contingencies. However, these were not supported with schedules of payments or certificates from merchants for justification. Also, the payments were not recommended by the evaluation committee and approved by the accounting officer as required by Section 139(2) of the Public Procurement and Assets Disposal Act, 2015.

Key note

Retention fees is payment for a service or product what is withheld pending the completion of some specified condition. It is often a percentage of the amount due to a contractor.

Prime Cost is an allowance for the sum of the direct cost of materials and labour associated with a production process

Therefore, the propriety and validity of **Kshs.9,139,190** could not be confirmed.

2.3.6 Commissioning, Purchase, Delivery and Installation of 545 Solar Street Lights

The County Executive made payments of Kshs.179,444,500 for the purchase, delivery and installation of 545 solar street lights within the county. However, a review of documents revealed the following issues:

- i. No feasibility study, no evidence of public participation and no Environmental Impact Assessment conducted before the project was implemented
- ii. No tender opening minutes were made available for audit review to establish the number of bidders who participated and submitted tenders
- iii. Payments did not indicate the vote, head, sub head and item for which the finds were charged. Also, they did not indicate an identification number or cash book number therefore making it unclear how the payments were processed
- iv. The amount of Kshs.17,944,450 being 10% of the total sum was not retained as retention fees. It was therefore not possible to determine how the contractor will make good any defects noted during the defects and liability period

Therefore, due diligence was not used, public procurement procedures neglected and value for money was not realised from **Kshs.179,444,500**.

2.3.7 Irregular Award of Contract for Road Works

The County Executive implemented a project for the improvement of Wagalla Road to Bitumen Standards at a cost of Kshs.128,013,145.89. The project was procured through open tender and the tender documents required bidders to furnish 2% of their bid price as bid security. Malka General Contractors Ltd, the winning bidder whose bid price was Kshs.128,013,145.89, should have provided bid security of Kshs.2,560,262.92 but provided Kshs.200,000. Also, the bidder was registered with the National Construction Authority category 4 (NCA 4) when the requirement set in the tender documents was NCA 3 and superior.

A physical verification carried out on 9 December 2017 revealed that the project was behind schedule by 9 months and the contractor was not on site at the time of audit. An unsigned progress report for November 2017 showed that the project was 47.08% complete but no explanation was given for the delay in project implementation.

Therefore, the contract was not fairly awarded and value for money was not realised.

2.3.8 Irregular Contracts for Capital Projects

Various capital projects were implemented totalling Kshs.237,424,424.97. However, a scrutiny of the records revealed that the county did not maintain a tender purchase register for the entire period. It was therefore not possible to determine the total number of tenderers who applied in each category of project procured. The County Executive also did not maintain a tender opening register during the opening of tenders as required by Section 78(6) of the Public Procurement and Asset Disposal Act, 2015. It was also observed that full payments were made to some contractors without 10% retention for the defect liability period and no explanation was made for the failure to deduct the 10%.

Therefore, it was not possible to determine the propriety and value for money of **Kshs.237,424,424.97.**

2.3.9 Delayed Capital Projects

a) Delayed Road Projects

Contracts were awarded for Kshs.369,814,720.48 to various contractors for improvement of roads within the town to bitumen standards. The following issues were noted:

- i. The contract agreements did not indicate the expected start date but the tender documents for all projects stated 90 days from the specific date of bid opening which was 1 March 2017. It was therefore expected that the projects be completed by 1 March 2017 but physical verification on 9 December 2017 revealed incomplete projects and the contractors were not on site. A total payment of Kshs.121,706,179.76 had been paid to contractors at the time of audit.
- ii. Project status reports for all the projects dated 17 November 2017 were not signed and indicated that the projects were at various stages of completion ranging from 47% to 64%.
- iii. There was contradicting information. Total work certified and submitted for payment as at November, according to the report for Wagalla Road (Extension from Wajir Girls to Surai Market) was Kshs.27,091,423. The report indicated that no payment was made to the contractor. It was however noted that the contractor was paid Kshs.41,831,526.
- iv. Physical progress for Wagalla Road (Extention from Surai Market to County Assembly) according to the report is 33.11%. The contractor was paid Kshs.35,113,200 which represents 36.1% payment an overpayment by 2.99% which translates to Kshs.2,911,380.80

Therefore, it was not possible to confirm the authenticity of payments made.

b) Delayed Construction of County Assembly

Reports from financial years 2014/2015 and 2015/2016 indicate that the County Executive of Wajir commenced construction of the County Assembly headquarters on 20 September 2014. The contract sum for the construction was Kshs.147,750,024 with a completion date of 18 November 2015. A total payment of Kshs.134,538,264.98 representing 91% of the contract sum has been made to the contractor as at the time of audit out of which Kshs.20,690,394.12 was paid in 2016/2016. Physical verification on 1 December 2017 revealed that the project was at painting stage with the contractor not on site. There was no project status report prepared during the year under review to ascertain the status of the project. The County Executive has not indicated what steps it intends to take to ensure the project is completed in good time and at no extra cost.

Therefore, propriety and value for money of **Kshs.134,538,264.98** could not be confirmed.

2.3.10 Unaccounted for Medical Equipment and other specialised materials

Medical Equipment and other specialised materials were purchased in the year under review worth Kshs.88,182,391 from various suppliers. However, examination of payment vouchers, Bills of Quantities and other records revealed that the goods procured and received were not recorded in the stores ledgers, there was no counter requisition and issue notes availed to confirm usage of the equipment.

The hospital management did not appoint an inspection and acceptance committee to verify the condition of the medical equipment and other specialised materials contrary to Section 48 (3) of the Public Procurement and Asset Disposal Act, 2015. Also, with no requisitions from user departments it was unclear how the procurement of the equipment was initiated without the involvement of the end users.

Therefore, the propriety of **Kshs.88,182,391** could not be confirmed.

2.3.11 Unauthorised Emergency Fund Account Spending

The County Executive emergency fund account with First Community Bank reflected transactions amounting to Kshs.90,000,000 being moneys transferred to the account between October 2016 and June 2017. Examination of the bank statement, cash book and payment vouchers relating to the account revealed that Kshs.77,433,530 was spent of various emergency services. However, this was not approved by the County Assembly as required by Section 114 of the Public Finance Management Act, 2012. Furthermore, the County Treasury did not prepare and submit to the Auditor General a separate financial statement in respect of the Emergency Fund as required

Therefore, it is not possible to confirm the Emergency funds as a proper charge on public funds.

2.3.12 Repair of Motor Vehicle

Kshs.1,252,333,706 was spent for 'use of goods and services'. Out of this amount, Kshs.119,374,597 was for routine maintenance of vehicles and other transport equipment. However, scrutiny of supporting documents and vehicle records revealed that Kshs.21,777,700 spent on repair and maintenance of motor vehicles was not properly supported. Also, while spare parts procured were received, recorded and issued, the issue notes did not show the names and signatures of the officers who were issued with the spare parts. The County did not have its own workshop and therefore it was not clear how these parts

were fitted to the vehicles. In some cases there was no post inspection report for the vehicles purported to have been repaired to confirm whether the parts were fitted to the vehicles.

Key note
Local purchase order (LPO) is a document created by the buyer to the seller to purchase a product

Out of the Kshs.21,777,700, an amount of Kshs.11,485,200 related to spare parts procured through Local Purchase Orders (LPO) raised on the same day.

This LPOs raised on the same day is an indication that the procurements were split to avoid use of the required procurement procedures. The repairs were also not entered in the G.P.55 (Logbook).

Therefore, the propriety of **Kshs.21,777,700** could not be confirmed.

2.3.13 Unaccounted for Civil Contingency Reserves

The County Executive spent Kshs.12,539,545.13 on emergency issues such as fuel for water tracking, purchase of foodstuffs for drought affected families, and purchase of other goods which were emergency in nature. It was noted that the county procured fuel worth Kshs.3,696,875 from local suppliers however, the LPOs for the fuel ordered were raised after the fuel was consumed. Furthermore, the fuel was drawn by hired private vehicles used for water tracking during drought migration. The speedometer of the vehicles fuelled were not functioning and therefore it was not possible to establish the number of kilometres covered by the vehicles and the fuel consumed. No proper explanation was provided for why the County Executive hired vehicles with defective speedometers.

Foodstuffs worth Kshs.2,975,000 were procured for drought affected families. Although the foodstuffs were received, the same was not recorded and no evidence was provided to show how it was distributed to the intended recipients. Furthermore, building materials worth Kshs.1,252,670.13 procured and received were not recorded and issued out as required by procurement regulations.

Therefore, funds were not accounted for as required and it was not possible to confirm whether the funds were used for the intended purpose.

2.3.14 Domestic Travel and Subsistence Allowance

The County Executive spent Kshs.13,528,100 on domestic travel and subsistence allowances. However, the payments were not supported with travel documents such as air tickets, attendance lists, program of work among other supporting documents. Some of the payments were not signed or acknowledged confirming they received money. Some allowances were paid to security officers, who are not county employees, while performing official duties within the county and no certificates were issued by the officers that they were not facilitated by their parent Ministries or Departments.

Kshs.6,128,400 was spent on provision of breakfast, lunch, refreshments, accommodation and hire of tents while conducting peace meetings. The provisions of Public Procurement and Disposal Regulation, 2006 which limits the maximum ceiling of low value procurement of goods and services to Kshs.30,000 per item was not followed. Furthermore, there were no duly signed participant lists to confirm the attendance of meetings.

Therefore, it was not possible to confirm the authenticity and value for money of **Kshs.13,528,100.**

2.3.15 Purchase of Furniture, Equipment and Other Stores

The County Executive procured furniture, equipment and other stores amounting to Kshs.13,975,592 during the year. However, the goods procured were not taken on charge in the stores, there were no counter requisition and issue notes provided to show how the goods were utilised. Also, some of the quotations raised did not give descriptions or specific technical requirements of the goods such as computers procured and specification/models. The County Executive also did not maintain assets register as required by Section 12(3) of the Public Finance Management Regulations, 2015.

Therefore, it was not possible to confirm the propriety of **Kshs.13,975,592.**

2.3.16 Unauthorised Reallocation of Funds

On Acquisition of Assets in the financial statements is the purchase of vehicles and other transport equipment amounting to Kshs.35,949,167. Out of the amount reported as purchase of motor vehicles, Kshs.9,587,032.90 related to maintenance of motor vehicles. This means that the County Executive reallocated funds from purchase to maintenance. This was in contravention with Section 47(1)(e) of the Public Finance Management Regulations, 2015

which require County Treasury approval. The Accounting Officer did not seek approval of the County Treasury before the reallocation as required. Further, the County management did not maintain a reallocation register showing all the budgetary reallocations as required by Section 47(2) of the Public Finance Management Regulation, 2015.

Therefore, the County Executive was in breach of the law and money was not used for intended purposes.

2.3.17 Payment for Research and Studies

The County Executive paid Kshs.3,184,640 on consultancy services for pre-feasibility, feasibility and appraisal studies. However, the tender documents for the procurement of the services were not provided for audit review. The services may therefore have been directly procured without competitive bidding contrary to the requirement of Section 124(12) and (14) of the Public Procurement and Assets Disposal Act, 2015.

Therefore, the expenditure **Kshs.3,184,640** could not be confirmed as a proper charge to public funds.

2.3.18 Payment for legal services

The County Executive paid Kshs.6,000,000 for legal services to Issa and Company Advocates. The services were directly procured without raising quotations as required, contrary to Article 227 of the Constitution of Kenya 2010.

Therefore, the competitiveness and fair pricing of **Kshs.6,000,000** could not be confirmed.

2.3.19 Contribution to Council of Governors

An amount of Kshs.14,747,625 was paid to the Council of Governors in respect of Inter-Governmental relations contributions. The payments were not supported with original acknowledgment receipts to show that the payments were received by Council of Governors.

Therefore, utilisation and value for money of **Kshs.14,747,625** could not be confirmed.

2.4 Other matters in the audit of the County Executive of Wajir

2.4.1 Budget Performance

The approved supplementary budget for the County was Kshs.8,681,947,179.14 with Kshs.4,588,444,068 or 53% allocated to recurrent budget and Kshs.4,093,503,111 or 47% allocated to development budget. The table below provides an analysis of the budget performance for 2016/2017.

Table 1: Budget performance analysis

Item	Budget allocation (Kshs.)	Actual spending (Kshs.)	Absorption rate (%)	% of Total spending
Recurrent expenditure	4,588,444,068	4,495,112,696	97.97	55.2
Development expenditure	4,093,503,111	3,651,877,500	89.21	44.8
Total	8,681,947,179	8,146,990,196		

2.4.2 Under expenditure by the County Executive

An examination of financial records showed that the total recurrent budget spent was Kshs.4,376,778,621. This meant there was an under expenditure of Kshs.211,665,447 as detailed in the table below.

Table 2: Recurrent Expenditure

Department	Approved Budget (Kshs.)	Actual spending (Kshs.)	Difference (Kshs.)
County Executive	450,339,671	447,965,366	2,374,305
County Assembly	645,131,099	645,13,099	0
Finance and Economic Planning	480,479,034	430,123,397	50,355,637
Agriculture, Livestock and Livestock Development	178,901,404	167,595,017	11,306,387
Public Health, Medical Services and Sanitation	922,323,843	919,001,308	3,322,535
Roads and Transport	300,416,481	277,587,160	22,829,321
Water	184,639,405	184,379,641	259,764
Energy, Environment and Natural Resources	82,097,590	76,252,714	5,844,876
Public Service, Special Programs and Decentralised Unit & Town Administration	581,331,537	558,329,206	23,002,331
Education, Youth, Gender and Social Services	413,115,410	410,325,597	2,789,813

Department	Approved Budget (Kshs.)	Actual spending (Kshs.)	Difference (Kshs.)
Trade, Industrialisation, Co-operative Development	120,182,390	108,021,656	12,160,734
Public works, Lands, Housing and Physical Planning	89,330,245	77,710,115	11,620,130
WAJWASCO	68,848,453	26,224,474	42,623,979
CPSB	71,307,505	48,131,871	23,175,634
Total	4,588,444,068	4,376,778,621	211,66,447

Similarly, an examination financial records showed that of the development budget, Kshs.3,838,864,035 was spent. This was an under expenditure of Kshs.254,639,076 as detailed in the table below.

Table 3: Development expenditure

Department	Approved Budget (Kshs.)	Actual spending (Kshs.)	Difference (Kshs.)
Finance and Economic Planning	10,040,138	1,750,000	8,290,138
Agriculture, Livestock and Livestock Development	555,932,276	536,365,235	19,567,041
Public Health, Medical Services and Sanitation	450,504,994	433,708,329	16,796,665
Roads and Transport	937,966,267	937,643,114	323,153
Water	959,147,587	956,710,254	2,437,333
Energy, Environment and Natural Resources	308,913,651	227,083,954	81,829,697
Public Service, Special Programs and Decentralised Unit & Town Administration	44,595,720	43,842,582	753,138
Education, Youth, Gender and Social Services	200,767,807	180,764,377	20,003,430
Trade, Industrialisation, Co-operative Development	276,089,261	175,753,868	100,335,393
Public works, Lands, Housing and Physical Planning	273,541,533	270,260,586	3,280,947
WAJWASCO	76,003,877	74,981,736	1,022,141
Total	4,093,503,111	3,838,864,035	254,639,076

2.4.3 Variations between Sums Voted for and Actual Expenditure

A comparison between the County Executive approved budget and the actual expenditure showed material variations between the two sets of records. The county did not explain the variations between the sum voted and the actual expenditure in the financial statements as required by Section 164(2)(a) of the Public Finance Management Act, 2017.

2.4.4 Under Collection of Local Revenue

The County had budgeted to collect local revenue amounting to Kshs.230,119,550 however a review of the financial statements show a collection of Kshs.75,150,051. This was an under collection of Kshs.154,969,499. It was also noted that revenue collection had decreased from Kshs.108,144,589 collected in 2014/2015 and Kshs.81,754,275 collected in 2015/2016. No explanation was given by management for the failure to collect the revenue.

2.4.5 Lack of an Internal Audit Committee

An internal audit committee was not established by the County Executive of Wajir contrary to Section 155(5) of the Public Finance Management Act, 2012 and Section 167(1) of the Public Finance Management (County Governments) Regulations, 2015. No explanation was provided for the failure to constitute and audit committee.

2.4.6 Information Technology (IT) Environment

A review of the IT Environment revealed that the County does not have an IT strategic plan to support operation requirements of the Executive. There was also no formally documented and approved process to manage upgrades and system changes made to all information systems. It was further noted that backups were not stored in a secure offsite storage facility but retained in the IT office. Also, server room security access control mechanisms were not put in place. This poses risks in case of fire or theft. In addition, no service level contract with Telkom Kenya as the service provider for internet services was provided for audit review.

The integrity of the financial and other information of the County Executive could not be confirmed.

2.4.7 Outstanding Audit Issues

The County Executive of Wajir has not addressed 2015/2016 audit issues.

REPORT ON COUNTY ASSEMBLY ³ OF WAJIR

3.1 Overview of audit issues in the County Assembly of Wajir

	ISSUE	FINDINGS
3.1.1.	Fixed Assets Register	Accuracy, completeness and nature of the fixed assets could not be confirmed
3.1.2	Payment of Mileage Allowances	A amount of Kshs.28,880,494 could not be confirmed
3.1.3	Unsupported Security Allowance	Validity of Kshs.8,199,875 on security allowance could not be confirmed
3.1.4	Unaccounted for Office Equipment	It was not possible to confirm whether the assets for Kshs.3,153,120 were delivered, used and accounted for
3.1.5	Unsupported and unaccounted for office general supplies	It is not possible to confirm whether all goods paid for were delivered and used for the intended purpose and whether proper procedures were followed in identifying suppliers
3.1.6	Hospitality, supplies and services	Expenditure of Kshs.3,220,921 could not be confirmed
3.1.7	Doubtful spending	Expenditure of Kshs.1,2017,000 could not be confirmed
3.1.8	Unsupported and unaccounted for motor vehicle expenses	Expenditure of Kshs.911,998 spent on spares, tyres and motor vehicle repairs could not be accounted for

3.2 Qualified Opinion

The Auditor-General audited the following Financial Statements of the County Assembly of Wajir as at 30 June 2017:

- Statement of financial assets and liabilities
- Statement of receipts and payments
- Statement of cash flows
- Summary statement of appropriation: recurrent and development combined
- Summary of significant accounting policies
- Other explanatory information

Key note

Qualified opinion means that although the financial transactions recorded are mostly in agreement with the records, there may be cases where the Auditor-General is unsatisfied with the accuracy of certain expenditures. Therefore, except for unsupported expenditure, the account reflects by and large a true and fair situation.

Upon completion of the audit, the Auditor-General gave a qualified opinion, reporting that the financial statements present fairly, in all material respects, the financial position of the County Executive of Wajir. Further, the Auditor-General confirmed that nothing came to his attention to cause him to believe that public money had not been applied lawfully and in an effective way.

3.3 Why the County Assembly received a Qualified Opinion

3.3.1 Fixed Assets Register

The County Assembly did not maintain a fixed asset register to record the assets acquired and also no valuation was done for its assets. Therefore the balances and nature of the fixed assets revealed in the audit were not supported with sufficient evidence as required by Section 136 of the Public Finance Management Regulations, 2015.

Therefore, the accuracy, completeness and nature of the fixed assets could not be confirmed.

3.3.2 Payment of Mileage Allowances

The County Assembly of Wajir made payments totalling Kshs.28,880,494 for mileage allowances to various Members of County Assembly for the financial year 2016/2017. However, examination of payment vouchers and other supporting documents revealed that Kshs.14,823,667 related to financial year 2014/2015. No explanation was given as to why the payments were not made in financial years 2014/2015 and 2015/2016. The County Assembly had also not disclosed pending bills for this mileage allowance in its financial statements for 2015/2016 making it difficult to determine the authenticity of the expenditure Kshs.14,823,667.

Further, the County Assembly made payments amounting to Kshs.14,056,827 to various Members of County Assembly as mileage allowances for financial year 2016/2017. These payments had no supporting documents or work tickets. Also, some of the work tickets supporting payments were not properly authorised, inconsistencies of signatures and vehicles' mileages were also noted.

Therefore, the amount of **Kshs.28,880,494** could not be confirmed.

3.3.3 Unsupported Security Allowance

An examination of the payment vouchers and other records revealed that an amount of Kshs.8,199,875 was spent as security allowance. However, the expenditure was not supported and there was no attendance register to confirm the officers worked for the number of days that was paid for.

Therefore, the validity of **Kshs.8,199,875** on security allowance could not be confirmed.

3.3.4 Unaccounted for Office Equipment

The County Assembly of Wajir paid Kshs.3,153,120 for procurement of computers and equipment however the following issues were noted:

- i. Some of the equipment procured was not received as required and not taken on charge in the store ledger. Also there were no requisition and issue notes raised to confirm how the stores were used
- ii. The fixed asset register maintained was not fully updated as it lacked detailed entries on the types and description of assets, acquisition cost of assets, supplier's details, date of purchase, estimated useful life, physical location and the person allocated, asset condition and tag number
- iii. The equipment could not be physically verified as the officer in charge of the section did not assign asset numbers to the equipment for ease of identification. It was therefore difficult to identify the equipment supplied by the specific suppliers.

Therefore, it was not possible to confirm whether the assets for **Kshs.3,153,120** were delivered, used and accounted for.

3.3.5 Unsupported and unaccounted for office general supplies

The County Assembly of Wajir procured stores worth Kshs.2,995,760. However, the stores procured were not received as required and taken on charge in the store ledger. They were also not issued out through issue notes to show how the goods were utilised.

Some of the quotations supporting the spending were not accurately prepared as they did not bear names, designations of the officers who opened, signature

and date they opened. In addition, item descriptions on request for quotations did not give specific technical requirements as required i.e. fridges and dispenser model. Also, the delivery notes and invoices did not indicate specification/ models and serial numbers of the equipment delivered. In addition to this, some of the payment vouchers were not authorised by the accounting officer.

Therefore, it is not possible to confirm whether all goods paid for were delivered and used for the intended purpose and whether proper procedures were followed in identifying suppliers.

3.3.6 Hospitality, supplies and services

The amount of Kshs.28,558,428 was spent on hospitality, supplies and services. Out of this, Kshs.3,220,921 was paid to various suppliers dating back to 2014 but was not supported with documents such as local purchase orders, invoices, delivery notes and request for quotations among other documents. Further, the County Assembly did not disclose this pending bill in the financial statements for 2015/2016.

Therefore, the spending of **Kshs.3,220,921** could not be confirmed.

3.3.7 Doubtful spending

A review of expenditure revealed that the Assembly spent Kshs.2,198,820 on specialised materials and services. However, Kshs.1,207,000 paid to various suppliers dating back to 2014 but was not supported with documents such as local purchase orders, invoices, delivery notes and request for quotations. Further, no pending bills were revealed in the financial statements for 2014/2015 relating to the expenditure.

Therefore, the expenditure of **Kshs.1,207,000** could not be confirmed

3.3.8 Unsupported and unaccounted for motor vehicle expenses

The amount Kshs.911,998 was paid for repair and service of motor vehicles as well as spare parts. The following issues were noted:

- i. Repairs were not taken on charge in motor vehicles logbook G.P(55)
- ii. Pre and Post inspection report from Mechanical Engineer were not made available for audit verification

- iii. Work tickets used to repair the vehicles were not availed for audit review
- iv. The expenditure relates to 2014/2015 financial year
- v. Repair service contracts were at times awarded to the highest bidder and no explanations given

Therefore, **Kshs.911,998** spent on spares, tyres and motor vehicle repairs could not be accounted for.

3.4 Other matters in the audit of the County Assembly of Wajir

3.4.1 Budget performance

The County Assembly of Wajir had a recurrent budget of Kshs.645,131,099 and no development budget. The table below provides an analysis of the budget performance for 2016/2017.

Table 4: Budget performance analysis

Item	Budget allocation (Kshs.)	Actual spending (Kshs.)	Absorption rate (%)	% of Total expenditure
Compensation of employees	340,303,003	340,290,993	100	53
Use of goods and services	276,218,826	276,196,189	100	43
Social security benefits	16,699,931	16,663,083	100	3
Acquisition of assets	11,909,339	11,774,428	99	2
Total	645,131,099	644,924,693	-	-

From the above analysis, the County Assembly of Wajir utilised their recurrent budget fully with absorption rate of 99.9%.

3.4.2 Revenue Analysis

The County Assembly of Wajir received exchequer release amounting to Kshs.644,924,693 against the budgetary allocation of Kshs.645,131,099 resulting in an underfunding of Kshs.206,406. The County Assembly budget was 99.9% funded by the County Treasury.

3.4.3 Lack of Audit Committee

An internal audit committee was not established by the County Assembly of Wajir contrary to Section 155(5) of the Public Finance Management Act, 2012 and Section 167(1) of the Public Finance Management (County Governments) Regulations, 2015 and National Treasury Gazette Notice Vol. CXVII No.40 of 15 April 2016. The audit committee would assist in the formulation of internal audit planning and policy as well as review internal and external audit reports as a mechanism of enhancing governance. If there is no internal audit committee then Management can easily override controls and cases of fraud and errors may not be detected or corrected in a timely manner.

The County Assembly of Wajir operates without an audit committee and no explanation was provided for the failure to constitute and audit committee.

3.4.4 Outstanding Audit Issues

The County Assembly of Wajir has not addressed 2015/2016 audit issues

CONCLUSION 4

This brief on the Auditor General's report for Wajir County has provided a simplified overview of the issues raised in the County Executive and County Assembly of Wajir for the financial year 2016/2017. The findings of the audit reveal that public money was applied lawfully and in an effective way in both the County Executive and County Assembly of Wajir. The Auditor General raised audit issues regarding amounts totalling Kshs.7,043,104,332 in the County Executive and Kshs.56,383,408 in the County Assembly. In total, there were issues regarding the amount of **Kshs.7,099,487,740** in the County of Wajir. Also, the Auditor General raised concern where there was a breach of law or regulation governing the use of public funds as these are essential controls to ensure public money is used effectively and responsibly.



**KENYA HUMAN RIGHTS
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