

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF WAJIR FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Assembly of Wajir set out on pages 6 to 19, which comprise the statement of financial assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the County Assembly of Wajir as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Further, and as required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters raised in the basis of Qualified Opinion section, I confirm that nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1.0 Fixed Assets Register

The financial statements for the year ended 30 June 2017 of the County Assembly of Wajir reflects a balance of Kshs.77, 069,428 vide a schedule on Annex 1. However, the County Assembly did not maintain a fixed asset register to record the assets acquired and no valuation was done for the assets and therefore balances and nature of the fixed assets disclosed were not supported with sufficient evidence as required by Section 136 of the Public Finance Management Regulations, 2015.

Under the circumstance it has not been possible to ascertain the completeness and accuracy of the balances and nature of the fixed assets disclosed in the financial statements as at 30 June 2017.

2.0 Payment of Mileage Allowances

The County Assembly of Wajir made payments totaling to Kshs.28,880,494 in respect of mileage allowances to various Members of County Assembly for the financial year 2016/2017. However, examination of payments vouchers and other supporting documents

revealed that an amount of Kshs.14,823,667 was in respect of mileage allowances relating to the financial year 2014/2015. No explanations were given as to why the payments were not made in the financial years 2014/2015 and 2015/2016. The County Assembly had not also disclosed pending bills in respect of the mileage allowance in its financial statements for 2015/2016, hence the authenticity of the expenditure of Kshs.14,823,667 could not be ascertained.

Further, the County Assembly made payments amounting to Kshs.14,056,827 to various members of County Assembly as mileage allowances during the financial year 2016/2017. The payments were however, not supported with appropriate documents such as work tickets. Some of the work tickets supporting the payments were not properly authorized, inconsistencies of the signatures and vehicles' mileages were also noted.

Consequently, the expenditure of Kshs.28,880,494 could not be ascertained as at 30 June 2017.

3.0 Unsupported Security Allowance

During the year under review, examination of payment vouchers and other records relating to other operating expenses revealed that an amount of Kshs.8,199,875 was incurred on 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.

In view of the foregoing, the propriety and validity of the expenditure on security allowance could not be confirmed as at 30 June 2017.

4.0 Unaccounted for Office Equipment

The County Assembly of Wajir paid Kshs.3,153,120 for procurement of computers and equipment during the year under review. However, the following anomalies were noted: -

- i) Some of the equipment procured were not received vide S13 and were not taken on charge in the store ledger, there were no counter requisition and issue notes raised to confirm how the stores were used.
- ii) 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 equipments 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's supplied by the specific suppliers.

In the circumstances, it was not possible to confirm whether the assets bought for Kshs.3,153.120 were delivered, used and accounted for as at 30 June 2017.

5.0 Unsupported and Unaccounted for Office General Supplies

During the financial year under review the County Assembly of Wajir procured stores worth Kshs.2,995,760. However, stores procured were not received vide S13 and were not taken on charge in the store ledger and subsequently were not issued out vide issue notes to show how the goods were utilized.

Further, some quotations supporting the expenditure were not accurately prepared as they did not bear names and designations of the officers who opened, their signature and date they opened.

In addition, item description on request for quotation did not give specific technical requirement as required i.e. fridges and dispenser model, while delivery notes and invoices did not indicate specification/models and serial numbers of the equipment delivered. Some of the payment vouchers were not authorized by the accounting officer.

In view of the foregoing, it was not possible to confirm whether all the goods paid for were delivered and used for the intended purposes and whether proper procedures were followed in identifying the suppliers.

6.0 Hospitality, Supplies and Services

County Assembly of Wajir spent Kshs.28,558,428 on hospitality, supplies and services for the year under review. However, out of this expenditure there was an amount of Kshs.3,220,921 paid to various suppliers which had not been supported with documents such as local purchase orders, invoices, delivery notes and request for quotations among other documents dating back to 2014. Further the County Assembly did not disclose this pending bill in the financial statements for 2015/2016 as required.

In consequence, the propriety of the expenditure of Kshs.3,220,921 could not be ascertained as at 30 June 2017.

7.0 Doubtful Expenditure

A review of the County Assembly of Wajir expenditure revealed that the assembly spent Kshs.2,198,820 on specialized materials and services. However, an amount of Kshs1,207,000 paid to various suppliers were not supported with documents such as local purchase orders, invoices, delivery notes and request for quotations dating back to 2014. The entity did not disclose pending bills in the financial statements for 2014/2015 relating to the expenditure.

Consequently, the expenditure of Kshs 1,207,000 could not be confirmed as a proper public funds charge as at 30 June 2017.

8.0 Unsupported and Unaccounted for Motor Vehicle Expenses

During the year under review, County Assembly of Wajir paid Kshs.911,998 on repair and service of motor vehicles as well as spare parts, however the following anomalies 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 explanation was given.

Consequently, the expenditure of Kshs.911,998 allegedly incurred on spares, tyres and motor vehicle repairs could not be accounted for as at 30 June 2017.

Other Matter

During the year under review, the County Assembly of Wajir had a recurrent budget of Kshs.645,131,099. The Assembly had no development expenditure in their budget. The budget performance for the year under review is as below: -

1.0 Budget Performance Analysis

Item	Budgeted Allocation Kshs.	Actual Expenditure 2016/2017 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	276,196,189.00	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	645,131,099.00	644,924,693	-	-

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

2.0 Revenue Analysis

During the year under review, the County Assembly of Wajir received exchequer releases amounting to Kshs.644,924,693 against the budgetary allocation of Kshs.645,131,099

resulting to underfunding of Kshs.206,406. The County Assembly budget was 99.9% funded by the County Treasury.

3.0 Lack of Audit Committee

The County Assembly of Wajir did not establish an internal audit committee contravening 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. CXVIII No.40 of 15th April, 2016.

Audit committee will assist in the formulation of internal audit planning and policy, review internal and external audit reports as a mechanism of enhancing governance. Absence of an Audit Committee may lead to Management override of controls in such instances, cases of fraud and errors may not be detected and corrected in a timely manner.

Consequently, the County Assembly of Wajir operates without Audit committee and no explanation was provided for failure to constitute the Audit Committee

4.0 Outstanding Prior Year Audit Issues

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the year under. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Management's Responsibility for the Financial Statements

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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 of Kenya. 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 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.

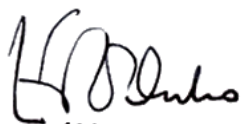
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and for the purpose of giving an assurance on the effectiveness of the County Assembly of Wajir's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Assembly's ability to continue sustaining 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 Assembly 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 of the entities or business activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

16 February 2018