

# **REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF WAJIR FOR THE YEAR ENDED 30 JUNE 2017**

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Qualified Opinion**

I have audited the accompanying financial statements of County Executive of Wajir set out on pages 6 to 26, 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of County Executive of 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 Public Finance Management Act, 2012.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters described in the Basis for Qualified Opinion and the Other Matter sections of my report, I confirm that nothing has come to my attention that public money has not been applied lawfully and in an effective way.

### **Basis for Qualified Opinion**

#### **1. Cash and Cash Equivalents**

##### **1.1. Unsupported Bank Balances**

The County Executive of Wajir had a bank balance of Kshs.374,130,657 as at 30 June 2017 as disclosed in note 22A to the financial statements. Included in this balance are Central Bank of Kenya 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.

Consequently, the bank balances of Kshs.374,130,657 reported as at 30 June 2017 could not be confirmed.

##### **1.2. Revolving Fund Account**

Note 22A to the financial statements discloses a revolving fund account No.80005208 with a nil balance as at 30 June 2017. However, the cash book for the account was not balanced and closed as at 30 June, 2017 and no board of survey was carried out at the end of the financial year. Further, the bank reconciliation statement as at 30 June 2107 indicated a cash book balance of Kshs.143,824 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.

In the circumstance, the accuracy of the revolving bank account balance could not be confirmed as at 30 June 2017.

### **1.3. Central Bank of Kenya (CBK) Deposit Account**

Note 22B to the financial statements shows Kenya Commercial Bank deposit account No.1150932147 with a balance of Kshs12,487,931 as at 30 June 2017. Although the balance was supported by a cash book and board of survey carried out on 30 June,2017, the certificate of bank balance and the bank statement as at 30 June 2017 for the same account reflected a balance of Kshs.16,585,047 resulting into an unexplained difference of Kshs.4,097,116. Further, no bank reconciliation statements were prepared and presented for audit review for the account.

In view of the inaccuracies, the authenticity of the CBK Deposit Account balance could not be confirmed as at 30 June 2017.

## **2. Summary of Fixed Assets Register**

The summary of fixed assets register in Annex 4 to the financial statements disclosed fixed assets balance of Kshs.4,320,247,061 as at 30 June 2017. However, the County Executive had a brought forward balance of Kshs.3,832,258,027 and acquisition during the year of Kshs.3,647,161,839 resulting into an unexplained variance of Kshs.3,159,172,805. Further, the County Executive did not maintain a fixed asset register to record the assets maintained by the County contrary to Section 136 (1) of the Public Finance Management Regulations, 2015. In addition, the assets inherited from the defunct local authorities have not been disclosed,

In view of the forgoing, it has not been possible to ascertain accuracy, validity and completeness of the fixed assets balance of Kshs.4,320,247,061 as at 30 June 2017.

## **3. Pending Bills**

Note 2.5.2 to the financial statements and Annex 1 show Analysis of Pending Accounts payables balance of Kshs.1,166,677,786 as at 30 June, 2017. However, the pending bills of Kshs.246, 979,416 were not supported with list of creditors and LPOs as required. Further, Kshs.70,461,581 of the pending bills relates to the financial years 2014/2015 and

2015/2016 which had not been previously captured as pending bills hence are not supported.

In addition, Kshs.631,710,287 of the pending bills were commitments without budget allocation (Excess Vote). Additionally, no equivalent amount of money was in the bank accounts as at close of the financial year since the County Executive bank balance as at 30 June 2017 was Kshs.374,130,657.

Similarly, the County Executive underspent by Kshs.211,665,447 and Kshs.254,639,076 for recurrent and development expenditure respectively all totaling to Kshs.466,304,523 yet the County Executive has pending bills of Kshs.1,166,677,786 at the close of the financial year.

In view of the foregoing, the legality, authenticity and validity of Kshs.1,166,677,625 balance disclosed in the financial statements as at 30 June 2017 could not be ascertained.

#### **4. Construction of Water Pans**

The County Executive of Wajir spent Kshs.1,373,601,398 under Note 18 to the financial statements as Construction and Civil works. Out of this amount, an amount of Kshs.460,106,400 related to construction of Mega Water pans constructed for both human and livestock use. Although the expenditure was planned for and procured through open tender, there were no need 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.

Consequently, value for money may not have been realized from the expenditure of Kshs.460,106,400 on the water as at 30 June 2017.

#### **5. Irregular Procurement of Overhaul and Refurbishment of Construction and Civil Works**

The County Executive of Wajir awarded contracts for the gravelling of Gurar –Ajawa , Sitawario, Sarif - Dadajabuta and Ganyure – Shantaabaq roads at a contract sum of Ksh.263,375. Examination of records such as payment vouchers, project file, Bills of Quantities, tender committee minutes and records relating to the projects revealed the following anomalies:-

- i) The bidders were required to either have or lease equipment such as excavators, rollers, motor graders, water tankers, concrete mixers and other tractors. The bidders however did not support their bids with copies of log books for the plants and equipment they allegedly owned. They also did not produce lease documents for the hired plants and equipment. Hence, it was not clear how the contracts were awarded to the said bidders when they did not meet the criteria for the award of the contract

- ii) Scrutiny of the company profiles revealed that the documents supporting previous works done, ownership documents for plant and equipment and financial statements were all not certified as a true copy of the original. The authenticity of the documents availed by the bidders to support their tender documents could therefore not be ascertained
- iii) Bidders were required to submit audited financial statements for the past three years. However, some of the bidders submitted audited financial statements for only one year. This was against the criteria set in the tender documents. Further, copies of the financial statements availed were not certified as a true copy of the original and therefore the authenticity of the documents could not be ascertained
- iv) The lowest bidder, M/s New World Choice Ltd was unfairly eliminated from the tender for gravelling of Gurar – Ajawa road because of having its lease agreement not certified as a true copy of the original. The contract was awarded to the second lowest bidder whose documents were also not certified as a true copy of the original, resulting to a difference of Ksh.5,196,353 between the sums quoted by the two bidders.
- v) The tender opening committee did not sign one or more pages of the tender documents (BQs) as required by section 78(9) of the Public Procurement and Asset Disposal Act, 2015.
- vi) As at the time of audit the entire contract sum had been paid to the contractors. However, the payment vouchers were not authorized by the accounting officers and no retention money and withholding tax were deducted from the contractors' payments as required. Further, physical verification done on 9 December, 2017 revealed that gravelling at Ganyare – Shantaabaq was not done in accordance with the contract's specifications. Gravel patching was poorly done, the road had water ways cutting across and some sections of the roads were not graveled despite certificate of completion being issued to the contractor.
- vii) The County paid an amount of Kshs.9,139,190 to the contractors being prime cost and contingencies. The payments were however not supported with schedules of payments or certificate from the merchants making a justification for the payment of the prime cost and contingencies as required. Further, the payments were not recommended by the evaluation committee and was not approved by the accounting officer as required by section 139(2) of the Public Procurement and Assets Disposal Act, 2015.

In view of the foregoing, the propriety and validity of the expenditure of Kshs.9,139,190 could not be ascertained as at 30 June 2017.

## **6. Purchase, Delivery, Installation and Commissioning of Five Hundred Forty-Five (545) Solar Street Lights in Wajir County**

During the year under review, the County Executive of Wajir made payments amounting to Kshs.179,444,500 in respect of purchase, delivery and installation of five hundred and forty five solar street lights within the county. However, review of payment vouchers, project files and the tender evaluation minutes among other records revealed the following anomalies:-

- i) There was no pre-feasibility study conducted before the project was initiated and there was no evidence of public participation carried out before the project was implemented. Further, Environmental Impact Assessment was not conducted before the commencement of the project, thus it was not possible to confirm whether the activities were done in an environmentally friendly manner
- ii) No tender opening minutes were made available for audit review to establish the number of bidders who participated and submitted the tenders. It was therefore not clear whether the procurement was done in accordance with the procurement law
- iii) The payments did not indicate the vote, head, sub head and item from which the funds were charged. Further, the payments did not have an identification number and cash book number. It is therefore not clear how the payment was processed without proper preparation.
- iv) The County Government failed to retain an amount of Kshs.17,944,450 being 10% of the total sum as retention fees as required. It was therefore not possible to ascertain how the contractor will make good any defects noted during the defects and liability period.

In the circumstances, due diligence was not used in awarding the project contract, value for money was not realized from the amount of Kshs.179,444,500 and the public procurement procedures were neglected.

## **7. Irregular Award of Contract for Road Works**

During the year under review, 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 contract awarded to M/s Malka General Contractors Ltd. The tender documents required bidders to furnish 2% of their bid price as a Bid security. Malka General Contractors Ltd, the winning bidder whose bid price was Kshs.128,013,145.89 should have availed bid security amounting to Kshs.2,560,262.92. The bidder however, availed bid security amounting to Kshs.200,000 with a balance of Kshs.2,360,262.

Further, the bidder was registered with National Construction Authority category 4 (NCA 4) when the mandatory requirement as set out in the tender documents was bidders to have NCA 3 and superior. The bidder did not meet the mandatory requirements as set out in the tender documents.

In addition, physical verification carried out on 9 December, 2017 revealed that the project was behind schedule for nine (9) months and the contractor was not on site at the time of audit. Unsigned progress report for the month of November, 2017 made available showed the project was 47.08% complete. No explanation was given for the delay in project implementation.

Consequently, the County Executive of Wajir did not fairly award the contract, and value for money was not realized from the contract up to date.

## **8. Irregular Contracts for Capital Projects**

The County Executive implemented various capital projects totaling to Ksh.237,424,424.97. However, scrutiny of the records such as project files, Bills of Quantities and other tender documents revealed that the county did not maintain tender purchase register for the entire period. It was therefore not possible to ascertain the total number of tenderers who applied in each category of project procured during the period under review. Similarly, the County did not maintain 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 the County Executive made full payments to some of the contractors without deducting 10% Retention before expiry of the 6 months defect liability period. No explanation was made for failure to deduct the retention monies.

Under the circumstance, it was not possible to ascertain the propriety and value for money of the expenditure amounting to Kshs.237,424,424.97 as at 30 June 2017.

## **9. Delayed Capital Projects**

### **9.1. Delayed Roads Projects**

During the year ended 30 June, 2017 the County Executive of Wajir awarded contracts amounting to Kshs.369,814,720.48 to various contractors for improvement of roads within the town to bitumen standards. The following anomalies were noted: -

- i) Although the contract agreements signed did not spell out the expected start date for the projects, according to Clause 15.1 of the tender documents for all the projects stated that the bid shall be valid and open for acceptance for a period of 90 days from the specific date bid opening which fell on 1 March 2017. The projects were expected to be completed by March 1 2017. However, physical verification carried out on 9 December 2017 revealed that the projects were not completed and the contractors were not on site. A total payment of Kshs.121,706,179.76 had been paid to the contractors as at the time of audit.

- ii) Project status reports for all the projects dated 17 November 2017 which was not signed indicated that the projects were at various completion stages ranging from 47% to 64%.
- iii) 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 no payment was made to the contractor. It was however noted that the contractor was paid a total of Kshs.41,831,526 as at 30 June 2017 hence contradicting information.
- iv) Physical progress for Wagalla Road (Extension from Surai Market to County Assembly), according to the report is 33.11%. The contractor was paid a total of Kshs.35,113,200 as at 30 June, 2017. This represent 36.1% payment which is and overpayment by 2.99% which translate to Kshs.2,911,380.80

In consequence, it was not possible to confirm the authenticity of the payments made in the year under review.

## **9.2. Delayed Construction of County Assembly**

As earlier reported in the financial years 2014/2015 and 2015/2016, the County Executive of Wajir commenced construction of the County Assembly headquarters on 20 September 2014 at a contract sum of 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 had been made to the contractor as at the time of audit out of which Kshs.20,690,394.12 was paid during the year 2016/2017. Physical verification done on 1 December 2017 almost two years after the expected completion date revealed that the project is at painting stage with contractor not on site. There was no project status report prepared during the financial 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.

Consequently, the propriety and value for money for the expenditure of Kshs.134,538,264.98 as at 30 June 2017 could not be ascertained.

## **10. Un-Accounted for Medical Equipments and Other Specialised Materials**

During the year under review, the County Executive of Wajir procured medical equipment and other specialized materials worth Kshs.88,182,391 from various suppliers. However, examination of payment vouchers, Bills of quantities, project files among other records revealed the goods procured and received were not recorded in the stores ledgers card and there were no counter requisition and issue notes availed to confirm usage of the equipment.

Further, the Hospital management did not appoint inspection and acceptance committee to verify the condition of medical equipment and other supplies contrary to the requirement of Section 48, Sub-section (3) of Public Procurement and Asset Disposal Act, 2015. There were no requisitions from the user departments hence it was not clear how the procurement of the equipment was initiated without the involvement of the end users.

Under the circumstances, it has not been possible to ascertain the propriety of the expenditure amounting to Kshs.88,182,391 on medical equipment as at 30 June 2017.

## **11. Unauthorized Emergency Fund Account Expenditure**

The County Executive of Wajir operated an emergency fund account Number 80004119 with the First Community Bank. Transactions relating to the account reflected that an amount of Kshs.90,000,000 was transferred to the account between October, 2016 and June, 2017. Examination of the bank statement, the cash book and the payment vouchers relating to the account revealed that an amount of Kshs.77,433,530 was spent from the account on various emergency services. However, the expenditure was not approved by the County Assembly as required by Section 114 of the Public Finance Management Act, 2012.

Further, the County Treasury did not prepare and submit to the Auditor-General a separate financial statement in respect of the Emergency Fund for the year under review as required.

In view of the foregoing, the amount used from the Emergency funds could not be confirmed as a proper charge on public funds.

## **12. Repair of Motor Vehicle**

The Use of Goods and Services for the year under review was Kshs1,252,333,706 as disclosed under Note 13 to the financial statements. Out of the amount, routine maintenance of vehicles and other transport equipment costs was Kshs.119,374,597 as at 30 June 2017. However, scrutiny of supporting documents and other motor vehicle records maintained by Wajir County Executive departments revealed that an amount of Kshs.21,777,700 incurred on repair and maintenance of motor vehicles was not properly supported. Spare parts procured were received vide S13, recorded in the stores ledger and issued to the county vehicles vide counter issue notes. 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 hence it was not clear how the spares parts were fitted to the vehicles.

In some cases, there were no post inspection reports for the vehicles purported to have been repaired. It was therefore not possible to confirm whether the spare parts were fitted to the vehicles.



Further, out of the Kshs.21,777,700 an amount of Kshs.11,485,200 related to spare parts which were procured through Local Purchase Orders raised on the same day an indication that the procurements were split to avoid use of the required procurement procedures. The repairs were also not entered in to G.P. 55 (Logbook).

In view of the foregoing, the propriety of the expenditure amounting to Kshs.21,777,700 could not be ascertained as at 30 June 2017.

### **13. Unaccounted for Civil Contingency Reserves**

During the year under review, the County Executive of Wajir spent an amount of 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. The LPOs against which the fuel was ordered were however raised after the fuel was consumed. It was therefore not clear how the fuel was drawn without raising LPOs. Further the fuel was drawn by hired private vehicles used for water tracking during the drought mitigation. It was however noted the speedometer of the vehicles fueled were not functioning hence it was not possible establish the number of kilometers covered by the vehicles and the fuel consumed at the time of the audit. No proper explanation was given for hiring vehicles with defective speedometers.

Further, the County procured foodstuffs worth Kshs.2,975,000 for drought affected families in the County. Although the foodstuffs were received, the same was not recorded. No evidence was made available to show how the foodstuffs were distributed to the intended recipients. Further, building materials worth Kshs.1,252,670.13 which were procured and received were not recorded and issued out as required by the procurement regulations.

Under the circumstances, it has not been possible to ascertain whether the funds were used for the intended purposes and were accounted for as required.

### **14. Domestic Travel and Subsistence Allowance**

During the year ended 30 June 2017, the County Executive incurred an amount of Kshs.13,528,100 on domestic travel and subsistence allowances. However, the payments were not supported with travel documents such as work tickets, bus tickets or air tickets, program of work, attendance list for peace meetings and the schedules supporting some of the payments were not signed or acknowledged by payees as evidence of money received.

Some allowances were paid to security officers who are not county employees while performing official duties within the county. However, no certificates were issued by the officers that they were not facilitated by their parent Ministries or Departments.

Further, an expenditure amounting to Kshs.6,128,400 was incurred on provision of breakfast, lunch, refreshments, accommodation and hire of tents while conducting peace meetings. The services were however procured in complete disregard to the provisions of the Public Procurement and Disposal Regulation of 2006 which limit maximum ceiling of low value procurement of goods and services to Kshs.30,000 per procurement per item. The expenditure was also not supported with duly signed participants list to confirm attendance of the meetings.

Under the circumstances, it has not been possible to confirm the authenticity and value for money of the expenditure of Kshs.13,528,100 as at 30 June 2017.

#### **15. Purchase of Furniture, Equipment and Other Stores**

The County Executive of Wajir 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 ledgers and there were no counter requisition and issue notes made available to show how the goods were utilized. Further, some of the quotations raised did not give descriptions or specific technical requirements of the goods such as computers procured, delivery notes and invoices did not indicate specification/models and serial numbers of the computers and equipment delivered and paid for. In addition, the County Executive did not maintain assets register hence the furniture, equipment and computers were not recorded as required by Section 12(3) of the Public Finance Management Regulations, 2015.

In view of the foregoing, it has not been possible to ascertain the propriety of the expenditure of Kshs.13,975,592 as at 30 June 2017.

#### **16. Unauthorized Reallocation of Funds**

Included under Note 18 on acquisition of assets is purchase of vehicles and other transport equipment amounting to Kshs.35,949,167. Out of the amount reported as purchase of motor vehicles, an amount of Kshs.9,587,032.90 related to maintenance of motor vehicles. This means the County reallocated the funds from purchase of motor vehicles to repair and maintenance of motor vehicles.

The reallocation of the funds was however done in contravention of Section 47(1) (e) of the Public Finance Management Regulations, 2015 which states allocations earmarked by the County Treasury for a specific purpose may not be used for other purposes except with the County Treasury's approval. The accounting officer did not seek the approval of the County Treasury before the reallocation as required by the regulations. Further, the County management did not maintain reallocation register showing all the budgetary

reallocations as required by Section 47(2) of the Public Finance Management Regulation, 2015.

Consequently, the County Executive was in breach of the law and the money was not used for the intended purposes as at 30 June 2017.

#### **17. Payment for Research and Studies Expenses**

During the year under review, the County Executive incurred an amount of Kshs.3,184,640 on consultancy services for pre-feasibility, feasibility and appraisal studies. However, the tender documents such as requisition, notice of tender, quotation opening, evaluation report, letter of offer, award and terms of references 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, 14) of Public Procurement and Assets Disposal Act, 2015.

In view of the anomalies, the expenditure of Kshs.3,184,640 could not be confirmed as a proper charge to public funds as at 30 June 2017.

#### **18. Payment for Legal Services**

During the year under review, the County paid Kshs.6, 000,000 legal services. The payment was made to Issa and Company Advocates for legal services rendered to the County Government. The services were however, directly procured without raising quotations as required.

As a result, the competitiveness and fair pricing as required by Article 227 of the Constitution for the legal fees expenditure of Kshs.6,000,000 could not be ascertained as at 30 June 2017.

#### **19. Contribution to Council of Governors**

During the year under review, the County Executive paid an amount of Kshs.14,747,625 to Council of Governors in respect of Inter-Governmental relations contributions. The payments were however not supported with original acknowledgement receipt to show that the payments were received by Council of Governors.

Consequently, the utilization and value for money of the contribution of Kshs.14,747,625 could not be confirmed.

#### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified and Other Matter sections of my report, I have determined that there are no key audit matters to communicate in my report.

## Other Matter

### 1. Budget and Budgetary Control

#### 1.1 Budget Performance Analysis

During the year under review, 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 expenditure and Kshs.4,093,503,111 or 47% allocated to Development projects as follows:-

ITEM	BUDGETED ALLOCATION	ACTUAL EXPENDITURE	ABSORPTION RATE	% OF TOTAL EXPENDITURE
Recurrent Expenses	4,588,444,068	4,495,112,696	97.97%	55.2%
Development Expenses	4,093,503,111	3,651,877,500	89.21%	44.8%
<b>TOTAL</b>	<b>8,681,947,179</b>	<b>8,146,990,196</b>		

#### 1.2 Under Expenditure by the County Executive

The county executive recurrent approved budget for 2016/2017 financial year was Kshs.4,588,444,068. However, examination of the vote book control and expenditure returns as at 30th June, 2017 revealed the county's total recurrent expenditure was Kshs.4,376,778,621 resulting to under expenditure of Kshs.211,665,447 as detailed below:-

#### Recurrent Expenditure

Department	Approved Budget Kshs.	Actual Expenditure Kshs.	Difference Kshs.
County Executive	450,339,671	447,965,366	2,374,305
County Assembly	645,131,099	645,131,099	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 & Transport Department	300,416,481	277,587,160	22,829,321
Water Department	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 Decentralized 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
Trade, Industrialization, 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
<b>TOTAL</b>	<b>4,588,444,068</b>	<b>4,376,778,621</b>	<b>211,665,447</b>

Similarly the county development approved budget for 2016/2017 financial year was Kshs.4,093,503,111. However, examination of the vote book control and expenditure returns as at 30th June, 2017 revealed the county's total development expenditure was Kshs.3,838,864,035 resulting to under expenditure of Kshs.254,639,076 as detailed in detailed below:-

### Development Expenditure

Department	Approved Budget Kshs.	Actual Expenditure 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 & Transport Department	937,966,267	937,643,114	323,153
Water Department	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 Decentralized 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, Industrialization, 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
<b>TOTAL</b>	<b>4,093,503,111</b>	<b>3,838,864,035</b>	<b>254,639,076</b>

### **1.3 Variations Between Sums Voted for and Actual Expenditure**

A comparison between County Executive of Wajir 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) (iv) of the PFM Act, 2017. Further, although some of the variations were huge and were above the acceptable range, the County Treasury could not be able to explain the cause of such variations.

### **1.4 Under Collection of Local Revenue**

The County Government of Wajir had budgeted to collect local revenue amounting to Kshs.230,119,550 during the year under review. However, Note 11 of the financial statement and revenue analysis prepared by the County revenue department revealed that the county collected Kshs.75,150,051 during the same period, resulting to under collection of Kshs.154,969,499 which is 32.7% of the amount budgeted for. It was further, observed that the County's revenue collection had declined from Kshs.108,144,589 and Kshs.81,754,275 which was collected in the financial years 2014/2015 and 2015/2016 respectively. No reason was provided by management for the failure to collect revenue as budgeted.

Due to the decline, the County did not meet its revenue target and as a result provision of services to County residents was hampered.

## **2 Lack of Internal Audit Committee**

The County Executive of Wajir did not established 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.

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. If there is no Committee the Management can easily override controls in such instances, cases of fraud and errors may not be detected and corrected in a timely manner.

Consequently, the County Government of Wajir is operating without Audit Committee and no proper reason was provided for not constituting the Committee.

## **3 Information Technology (IT) Environment**

Review of the Information Technology Environment of County Executive of Wajir revealed that the County does not have an IT strategic plan that supports operation requirements of the executive and there were no formally documented and approved processes to manage upgrades and system changes made to all information systems. It was further noted that the backups were not stored in a secure offsite storage facility but were retained in the IT office. This poses risks for the IT in case of fire or theft. Server room security access control mechanisms were not put in place

Additionally, no service level contract with Telkom Kenya as the service provider for internet services was provided for audit review and it was therefore not possible to get particulars of the terms of contract.

As a result, integrity of the financial information of the County Executive could not be ascertained as at 30 June 2017.

#### **4 Outstanding Prior Year Issues**

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

#### **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 County's ability to continue to sustain 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 County 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 County'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'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 County'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 consolidated/ financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County's 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 July 2018**