

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF WAJIR FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of County Executive of Wajir set out on pages 1 to 34, which comprise the statement of assets as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation – recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Late Submission of Financial Statements

The management of the County Executive of Wajir did not prepare and submit financial statements accompanied by supporting ledgers for audit within the statutory deadline of 30 September. The financial statements were only submitted on 4 November 2018 contrary to Section 164 (4) of Public Finance Management Act, 2012 which stipulates that within three months after the end of each financial year, the accounting officer for an entity shall submit the entity's financial statements to the Auditor-General.

Further, the Executive operated Emergency Fund, Revolving Fund and Bursary Fund accounts for which it did not prepare and submit separate financial statements for the Funds as required by Section 167 of the Public Finance Management Act, 2012.

Consequently, the County Executive of Wajir was in breach of the law.

2. Accuracy and Completeness of Financial Statements

The statement of receipts and payments in the financial statements presented for audit reflected a total payment of Kshs.6,496,683,838. The Executive presented financial ledgers/schedule supporting the payments for the same. However, an audit scrutiny of the ledgers revealed that similar payments amounting to Kshs.1,840,636,876 reflecting the same payment vouchers, the same payees and the same amounts were used to support the financial statements balances.

In view the above anomalies, the accuracy, validity and completeness of the balances of Kshs.6,496,683,838 reflected in the statement of receipts and payments as expenditure could not be ascertained.

3. Receipts

3.1 Over Statement of Receipts

The Executive reported total receipts of Kshs.8,740,904,303 in the statement of receipts and payments. However, scrutiny of the bank statements for the County Revenue Fund Account revealed that the Executive received a total of Kshs.8,696,280,952 resulting to an unexplained and unreconciled difference of Kshs.44,623,351.

Consequently, the accuracy of receipts figure could not be ascertained.

3.2 Revenue Spent at Source

Scrutiny of the bank statements for the revenue collection account No.1140752820 held at KCB Wajir Branch revealed that an amount of Kshs.14,000,000 was transferred on 15 May 2018 to Government standing imprest account No.1141515873 held at the same Bank. On the same date, the County transferred an amount of Kshs.7,000,000 from Wajir County Deposit Account No.1150932147 held at CBK Wajir Branch to the Government Standing Imprest Account, making a total of Kshs.21,000,000. Out of the Kshs.21,000,000 transferred to this account, an amount of Kshs.17,100,000 was withdrawn by the County Chief Officer Finance on 24 May 2018. No cheque was used to withdraw the money and there was no payment voucher availed to support the withdrawal.

3.3 Under-Collection of Revenue

According to the approved supplementary budget for 2017/2018, the Executive had budgeted to collect local revenue amounting to Kshs.150,000,000. However, scrutiny of the revenue analysis sheet, cash book and bank statement revealed that the Executive collected Kshs.56,599,351 during the same period, resulting to an under collection of Kshs.93,400,649 which is 62.3 % of the amount budgeted. Further, it was observed that the Executive's revenue collection had declined from Kshs.108,144,589 in 2014/2015 to Kshs.81,754,275, Kshs.75,150,051 and Kshs.56,599,351 in the financial years 2015/2016, 2016/2017 and 2017/2018 respectively. No proper explanation was given for the under collection and decline of revenue collection over the years.

4. Unaccounted for Funds

The Executive's total revenue allocation per the approved budget for the financial year 2017/2018 was Kshs.9,373,008,907. An audit scrutiny of the bank statements from the County CBK Revenue Fund account No.1000171448 revealed that the Executive received a total of Kshs.8,696,280,952 from the Exchequer and own revenue collections. It was also

observed that a total of Ksh.5,654,013,263 was transferred from CRF account to Wajir County Recurrent account No.1000170832, Wajir County Development account No.10001707778 and Wajir County Special Purpose account No.1000259531 at Central Bank of Kenya between 03 October 2017 and 29 June 2018. The Executive returned an amount of Kshs.98,981,636 as unspent balance at the end of financial year 2017/2018.

A reconciliation of the funds released to the County Executive, the unspent balance at the closure of the financial year and the total payments presented for audit is as detailed below:-

Description	Amount Kshs.
Total funds released to the County	5,654,013,263
Less:	
• Unspent balance as at 30/06/2018	98,981,636
• Total outstanding imprest as at the time of audit	49,499,822
• Total Payment vouchers availed for audit	4,827,073,218
Unaccounted For Funds	678,458,587

From the above reconciliation it was noted that an amount of Kshs.678,458,587 which represented expenditure incurred by the County remained unaccounted for as there were no payment documents availed to support the expenditure.

Consequently, the probity of the expenditure could not be ascertained.

5. Variance Between the Approved Budget and the Statement of Appropriation

The summary statement of appropriation (recurrent and development combined) in the financial statements reflected a total final budget of Kshs.9,125,086,052 for the year ended 30 June 2018. However, the Executive's approved budget for the same period was Kshs.9,373,008,907 resulting to a material variance of Kshs.247,922,855 as indicated below: -

Item	Summary Statement of Appropriation Kshs.	Approved Supplementary Budget Kshs.	Variance Kshs.
Recurrent	5,470,119,599	5,718,042,454	247,922,855
Development	3,654,966,453	3,654,966,453	-
Total	9,125,086,052	9,373,008,907	247,922,855

No proper explanation was given for the cause of the unreconciled difference.

6. Compensation of Employees

6.1 Over Expenditure on Compensation of Employees

The summary statement of appropriation (Recurrent and Development Combined) revealed that the Executive budgeted an amount of Kshs.2,923,296,587 on compensation of employees. The Executive however, spent an amount of Kshs.3,273,351,044 on the same component resulting to an over expenditure of Kshs.350,054,457.

Under the circumstances, the propriety of Kshs.3,273,351,044 expenditure in respect of compensation of employees could not be confirmed.

6.2 Pension and Other Social Security Contributions

Included in compensation of employees' figure of Kshs.3,273,351,044 and under Note 11 is an amount of Kshs.9,910,101 being payments for pension and other social security contributions. It was however, noted that the ledgers supporting the component reflected an amount of Kshs.203,842,128 thus leading an unexplained and unreconciled difference of Kshs.193,932,027.

Consequently, the accuracy and completeness financial statements could not be confirmed.

6.3 Irregularities in Compensation of Employees

Examination of payment records and other supporting documents availed for audit review revealed that the Executive spent an amount of Kshs.3,344,544,974 on compensation of employees for both permanent and casual employees which was supported by IPPD records and manual payroll. However, the following unsatisfactory matters were observed;

- (i) The payment vouchers for the payroll were not properly authorized and they did not indicate the payment voucher numbers, vote, head and expenditure item against which the expenditure was charged.
- (ii) Some of the payment vouchers were not authorized by the AIE holder and accounting officers while others were not examined to confirm they were properly processed and supported.
- (iii) The total gross salaries paid to all staff (from both IPPD and manual payroll) according to the payment vouchers availed for audit review is Kshs.3,344,544,974.16. However, the IPPD by-products and manual payroll reflected Kshs.2,900,592,942.95 resulting to an unexplained difference of Kshs.443,952,031.21. No reconciliation was carried out between records from the payroll section and the accounts section.

Under the circumstances, the probity of the expenditure amounting to Kshs.3,344,544,974.16 could not be ascertained.

7. Use of Goods and Services

7.1 Purchase of Fuel, Oil and Lubricants

Included in the of use of goods and services balance of Kshs.997,918,091 under note 12 is an amount of Kshs.59,444,520 relating to purchase of fuel, oil and lubricants. However, the ledgers supporting the figure reflected Kshs.59,579,520 resulting to an unexplained difference of Kshs.135,000. In addition, out of the fuel worth Kshs.59,444,520 procured during the year, the Executive procured fuel worth Kshs.44,162,872 from one supplier, leaving the remaining Kshs.15,416,648 being shared among other eight (8) prequalified suppliers. This is contrary to Section 59(2)(C) of the Public Procurement and Disposal Regulation 2006 which required entities to ensure a fair and equal rotation amongst the persons on the prequalified list. No explanation was given for the failure by the Executive to comply with the quoted regulations.

In view of the above, the probity of the expenditure could not be ascertained.

7.2 Utilities Supplies and Services

Included in the of use of goods and services balance of Kshs.997,918,091 is Kshs.5,775,510 relating to purchase of utilities supplies and services. Out of this amount, an amount of Kshs.5,067,420.70 had two sets of supporting documents with the same payment voucher numbers and payees an indication that the payments in the ledgers were duplicated. It was further noted that a cash book payment voucher No.1216 for Kshs.2,231,333 paid to Kenya Power and Lighting Company for power bill in regard to Kinsley Construction Company Ltd was not included in the ledgers.

In the circumstances, the accuracy and completeness of the balances of Kshs.5,775,510 in respect of utilities supplies and services could not be ascertained.

Under the Circumstances, the authenticity of the expenditure of Kshs.25,588,860 could not be ascertained.

7.3 Irregular Payment of Subsistence Allowance

During the year under review, an amount of Kshs.41,306,100 was paid as travel and subsistence allowances to various officers from different departments of the Executive. However, the following observations were made:

- (i) Some of the payment schedules were not signed by the alleged payee as evidence of money received.
- (ii) Some officers were paid double allowances for allegedly being on official duties on two different locations outside their working stations on the same days.
- (iii) Payment of subsistence allowances to officers attending trainings were not supported with training programmes, travel documents and attendance register for the participants hence no evidence of the trainings conducted.

- (iv) Some of the payments were duplicated. The same activities were allegedly done by same officers or different officers. The payments were supported with the same documentations such as the reports of the activities and the work plans.
- (v) The Executive paid subsistence allowances amounting of Kshs.2,926,600 to doctors who were attending a full time course at the University of Nairobi. The three months training was sponsored by the Ministry of Health through the East Africa Kidney Institute Project. No reason was given why the officers were paid subsistence allowances while they were on a fulltime training. Further, it was observed that the payment schedule supporting the payment was not signed by the alleged payee. It was not clear how an amount of Kshs.2,926,600 was allowed to be collected by an individual on behalf of the other payee and why the payments was not made through the officers' bank accounts.

In view of the above observations, the probity of the expenditure could not be ascertained.

7.4 Double Payment to County Public Services Board (CPSB) National Consultative Forum

The Executive paid an amount of Kshs.700,000 to the County Public Services Board(CPSB) Consultative Forum. According to the copy of the memo supporting the payment, the payment was in respect of arrears for 2016/2017 and 2015/2016. The payment was made vide payment voucher No.1275 of 9 November 2017 and cheque No.6334 of 01 December 2017. According to the cheque counterfoil and the bank statements availed, the payment was made to the CPSB National Consultative Forum. It was also observed that the Executive made a similar payment of the same amount vide payment voucher No.323 of 23 November 2017 and cheque No.7295 of 30 May 2018. The payment was supported with same copy of the memo. Scrutiny of the cheques counterfoil and the bank statements however revealed that the payment was made to and cashed by Chief Finance Officer. No reason was given why the CPSB National Consultative Forum was paid twice and why the second payment was made in the name of the Chief Finance Officer. There was no acknowledgement from the forum regarding the two payments.

8. Other Grants and Transfers

8.1 Subsidies to Small Businesses, Cooperatives and Self Employed

Included in other grants and transfers of Kshs.492,765,643 under Note 15 to the financial statement is Kshs.311,016,943 relating to subsidies to small businesses, cooperatives and self-employed. However, an amount of Kshs.252,629,371 was spent on grading, gravelling and other roads works. Further, an amount of Kshs.42,376,658 was payments to various suppliers for supply and delivery of goods, provision of catering and other services. Additionally, an amount of Kshs.16,010,914 was in respect of payments made to various health facilities.

Thus, the reported figure of Kshs.311,016,943 meant for subsidies to small businesses, cooperatives and self-employed was not utilized for the intended purposes and funds may have been re-allocated without authority.

Under the circumstances, the probity of Kshs.311,016,943 could not be confirmed.

8.2 Emergency Relief and Refugee Assistance

Included in other grants and transfers of Kshs.492,765,643 is Kshs.181,748,700 for emergency relief and refugee assistance. However, a review of the expenditure revealed the following anomalies: -

- (i) The schedule supporting the figure indicated Kshs.5,853,200 as having been paid to one Dr. Ahmed Abdi Noor in respect of subsistence allowances on behalf of doctors attending a training at the University of Nairobi. The expenditure did not in any way relate to emergency relief and was therefore re-allocated without authority. Further, the payment documents in respect of the subsistence allowances to the doctors revealed that the actual payment made to the doctors was Kshs.2,926,600 resulting to an unexplained under-expenditure of Kshs.2,926,600. The financial statements were therefore overstated by the same amount.
- (ii) Payments amounting to Kshs.79,658,000 made to various suppliers for supply of goods and services were not supported with payment vouchers and other supporting documents as detailed below: -

PV No.	Date	Code	Kshs.
16943	19 April 2018	2640201	24,814,000
17127	23 May 2018	2640201	24,814,000
17181	04 June 2018	2640299	30,030,000
			79,658,000

Consequently, the regularity and authenticity of the expenditure amounting to Kshs.79,658,000 could not be confirmed.

8.3 Irregular Procurement of Emergency Water Trucking Services

During the year under review, the Executive spent Kshs.73,010,000 on emergency water trucking. It was however observed that the contracts were irregularly awarded to suppliers who did not satisfy the mandatory requirements as indicated in the evaluation reports. The winning bidders did not provide valid business licenses and tax compliance certificates as required by the evaluation criteria.

Further, payment records totaling to Kshs.28,740,000 were not supported with stamped water trucking waybills or distribution schedules in various water trucking centers. The water trucking activities were allegedly undertaken in the financial year 2016/2017 but the

payments were however not made during the same financial year hence pending bills. However, the pending bills were not disclosed in the financial year 2016/2017.

Under the circumstances, the propriety of the expenditure could not be ascertained

9. Acquisition of Assets

9.1 Purchase of Motor Vehicles

Included in acquisition of assets figure of Kshs.900,135,876 under note 17 is Kshs.29,906,992 incurred on purchase of motor vehicles, and other transport equipment from local suppliers. However, there were no payment records, tender documents and other supporting documents availed to confirm they were procured. Further, there was no evidence availed for audit review to show that the vehicle and the motor cycles were indeed supplied since there was no inspection and acceptance report, delivery notes, receipt vouchers and assets register. and they were also not available for physical verification. No proper explanation was given for the foregoing.

In the circumstances, the probity of the expenditure amounting to Kshs.29,906,992 could not be ascertained

10. Cash and Cash Equivalents

10.1 Account Receivable (Outstanding Imprests)

The cash and cash equivalents reflects a balance of Kshs.2,618,351,122 as at 30 June 2018. However, an audit scrutiny revealed that outstanding temporary imprests of Kshs.49,499,822 held by the cashiers at the time of audit was not reflected in the financial statements and therefore cash and cash equivalents was understated by Kshs.49,499,822.

In the circumstances, it has not been possible to confirm that the cash and cash equivalents balance of Kshs.2,618,351,122 as at 30 June 2018 is fairly stated.

10.2 Bank Balances Not Disclosed in the Statement of Assets and Liabilities

The Executive reported a bank balance of Kshs.2,618,351,122 in the statement of assets and liabilities under Note 21 of the financial statements which was understood to be held at the Executive's CBK Revenue Fund Account No.1000171448. However, according to the CBK bank statement as at 30 June 2018, the balance was Kshs.1,526,112,606. The CBK cash book for the period under review was not made available for audit review and no bank reconciliation statement was prepared between financial statements balance and the bank statement balance as at 30 June 2018. Further, it was noted that the Executive disclosed eleven (11) bank accounts with nil balances. However, the bank statements and the certificates of bank balances for same bank balances as at 30 June 2018 revealed that the accounts had balances as detailed below: -

Name of Bank & currency	Account No	Type of Account	Balance as at Kshs
Central Bank of Kenya - Kshs	1000170778	Development	134,467,130
Central Bank of Kenya - Kshs	1000170832	Recurrent	790,230,774
Central Bank of Kenya - Kshs	1000259531	Special Purpose	95,202,272
First Community Bank - Kshs	80006028	Wajir County Referral Hospital	151,630
First Community Bank - Kshs	80005974	Bute Sub -County Hospital	8,310
KCB Bank - Kshs	1181402719	Griftu Sub County Referral Hospital	2,605
First Community Bank - Kshs	80005975	Buna Sub District Hospital	3,895
First Community Bank - Kshs	80005972	Khorofharar Sub-District Hospital	938,606
First Community Bank - Kshs	80005973	Emergency Response & Medical Referral Unit	12,240
KCB Bank - Kshs	1147611726	CHMT	20,172,408

It was further revealed that the Executive did not disclose bank accounts with bank balances of the following amounts: -

Name of Bank & currency	Account No	Type of Account	Balance as at 30/06/2018 (Kshs)
Equity Bank	1030296910568	Tarbaj Health Centre	2,568
First Community Bank - Ksh	8000520801	Revolving Fund - Main	187,830
First Community Bank - Ksh	8000520802	Revolving Fund - Main	6,621,957
First Community Bank - Ksh	8000412001	Wajir County Bursary Fund	1,538
First Community Bank - Ksh	8000558601	Eldas Health Centre	113,619
First Community Bank - Ksh	8000411901	Wajir County Emergency Fund	1,581,616
KCB Bank - Ksh	1140752820	Wajir County Revenue	19,536,460
KCB Bank - Ksh	1198789484	Wajir County KRB Account	35,286
KCB Bank - Ksh	1141515873	Wajir County Government	60,462,927
KCB Bank - Ksh	1150932147	Wajir County Deposit Account	7,022,479
KCB Bank - Ksh	1234592835	Tarbaj Sun County Hospital	900,000

The cash books for the bank accounts were not made available for audit review and there were no bank reconciliation statements prepared for the accounts.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.2,618,351,122 as at 30 June 2018 could not be ascertained.

11. Summary of Fixed Assets

Annex 5 to the financial statements is the summary fixed assets which reflects Kshs.5,220,382,937 being total assets owned by the Executive as at 30 June 2018. However, as similarly reported in 2016/2017, the Executive still does not maintain a fixed assets register contrary to Section 136 (1) of the Public Finance Management Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws. In the absence of detailed fixed assets register, it was not possible to ascertain the balances and the make-up of the fixed assets disclosed.

In the circumstances, it has not been possible to confirm the completeness, accuracy and existence of the assets balance of Kshs.5,220,382,937 reported under annex 2 to the financial statements.

12. Pending Bills

Annex 2 to the financial statements reflected an amount of Kshs.2,744,229,088 in relation to pending accounts payables/bills. However, the following anomalies were noted;

12.1 Variance Between the Gross and Net Pending Bills Reported

The Executive disclosed net pending bills balance of Kshs.2,744,229,088 in Annex 2 of the financial statements. The bills are in respect of non-payments of goods, works and services supplied or rendered to the Executive by suppliers. Scrutiny of the analysis of the pending bills showed that the contract sums for the goods, works and services rendered was Kshs.2,725,525,445 but the net pending bills amounted to Kshs.2,744,229,088 resulting to unexplained difference of Kshs.18,703,643.

12.2 Variance between the Reported Pending Bills and the Actual Calculated Pending Bills

The Executive disclosed pending bills amounting to Kshs.2,744,229,088 in annex 2 to the financial statements. However, computation of the pending bills reported showed that the total pending bills was Kshs.2,758,566,734 resulting in an unexplained difference of Kshs.14,337,646.

12.3 Variance between the Reported Summary/Consolidated Pending Bills and the Departmental Pending Bills

The summary of the pending bills reported reflected an amount of Kshs.2,744,229,088 in relation to pending accounts payables/bills for the all the Departments. However, the departmental pending bills in the analysis of the pending bills reflected an amount of Kshs.2,624,051,533 resulting to an unexplained difference of Kshs.120,177,555.

12.4 Other Observations on the Pending Bills Reported

- (i) The analysis of the pending bills did not disclose the period the pending bills related to. The Executive had disclosed an amount of Kshs.1,166,677,786 as pending bills in the financial statements for 2016/2017 and it was not clear whether the pending bills amounting to Kshs.2,744,229,087.79 disclosed in the financial statements for 2017/2018 is inclusive of the amount.
- (ii) The pending bills in most cases did not indicate details of the goods delivered, services rendered and works executed. Further, contract numbers, LPOs, LSOs, start date and completion date for the projects were not indicated.
- (iii) In some cases the status of the projects whether complete or percentage of work in progress were not indicated.
- (iv) Included in the pending bills balances of Kshs.2,744,229,088 is an amount of Kshs.24,004,000 reported by the Department of Education, Sports, Youth, Gender and Social Services being in respect of construction of 2 No. ECD classrooms and twin toilets at Wajir South. The contract sum for the project according to the pending bills analysis was Kshs.2,400,000. The same analysis however indicated a net pending bill of Kshs.24,004,000 for the same project .The two balances were not reconciled.

In view of the above, it has not been possible to ascertain the accuracy, validity and completeness of the pending bills amounting to Kshs.2,744,229,087.79 reported in the financial statements.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis of Conclusion

1. Compensation of Employees in Relation with Total Receipts

The compensation of employees figure of Kshs.3,273,351,044 is approximately 37.45% of the total revenue of Kshs.8,740,904,303 and thus exceeded the recommended ratio of 35% stipulated in Section 25(1) of the Public Finance Management (County Governments) Regulations, 2015. Consequently, the management is in breach of the law and the wage bill may not be sustainable unless adequate measures are put in place to contain the rising wage bill and increase collection of county own generated revenue.

2. Irregular Procurement of Goods, Works and Services

Examination of payment vouchers, bills of quantities, minutes and other supporting documents availed revealed that the Executive procured goods, works and services amounting to Kshs.172,751,776 without raising quotations as required by Section 105 and 106 of the Public Procurement and Assets Disposal Act, 2015 but rather used standard forms to procure goods, works and services. It was further noted that the standard forms did not give guidance on the specific requirements of the tender, where to place them and the deadline for submitting the tenders. Some of the forms also did not have criteria to be used for evaluation of the tenders. The criteria used to evaluate the tenders were therefore introduced at the evaluation stage contrary to Section 80 (2) of the Public Procurement and Asset Disposal Act, 2015 which stipulates that the evaluation and comparison shall be done using the procedures and criteria set out in the tender documents. In addition, it was noted that some of the contracts were awarded to suppliers who did not meet the mandatory requirements as indicated in the evaluation report. The suppliers did not submit valid tax compliance and valid business permits which were mandatory evaluation requirements. It was further noted that some of the suppliers who were awarded the contracts were not in the list of prequalified contractors for the year under review. It was therefore not clear how they were identified for the award of the contract.

Under the circumstances, the Executive was in breach of the procurement laws.

3. Maintenance of Motor Vehicles

During the year under review, the Executive procured vehicle spare parts amounting to Kshs.76,119,179. It was however observed that Kshs.28,076,710 incurred on motor vehicles maintenance had the following anomalies:-

- (i) Contracts were awarded to suppliers who did not satisfy the mandatory requirements for the award of the contracts as they did not have valid tax compliance certificates, business permits and also did not submit KRA pin as required by the evaluation criteria.
- (ii) Some of the contracts were given to merchants who were not in the prequalified list of suppliers for the category of supply of vehicle spare parts.
- (iii) The vehicles were not inspected before procuring the spare parts. It was not clear how the vehicles' defects were identified. The vehicles were also not re-inspected after the service to establish their condition.
- (iv) In one case, a contract amounting to Kshs.12,898,700 was directly procured from one supplier. One quotation was raised to the contractor contrary to threshold matrix in the Public Procurement and Asset Disposal Regulations, 2015. No proper explanation was given why the goods were not procured using open tender.
- (v) Although the spare parts were received, recorded in the stores register and issued out to various vehicles, it was noted that the Executive did not have a specified workshop

where vehicles were taken for repair and had not employed mechanics, hence it was not clear how the spare parts allegedly procured were fitted to the vehicles.

Under the circumstances, it has not been possible to ascertain whether the spare parts were procured, delivered, received, recorded and fitted to the vehicles.

4. Supply and Delivery of Food and Ration

Examination of payment vouchers and other supporting documents availed for audit review revealed that the Executive procured food stuff amounting to KSh.25,588,860 during the year under review. Although the foodstuff was purchased, received, recorded and properly issued out, it was revealed that the Executive procured the foodstuff from suppliers who were not in the list of prequalified contractors for supply of foodstuff. It was therefore not clear how the suppliers were identified and why the foodstuffs were not procured from the suppliers who were prequalified to supply the foodstuff. It was also noted that the payment vouchers were not properly authorized by the Director Accounting Services. Some of the payments were also not examined and had no details of the head, vote and item which the payments were charged.

5. Purchase and Supply of Relief Food

Examination of payment vouchers and supporting documents revealed that the Executive procured relief food amounting to Kshs.146,240,000 for distribution to the drought-stricken families in various parts of the County. However, the following anomalies were noted:

- (i) The foodstuffs were directly procured from Wajir Ark Limited, one of the prequalified suppliers. According to the prequalified list availed for audit review, the Executive had twenty-five (25) suppliers who were prequalified to supply foodstuffs during the period under review. However, it was not clear why Wajir Ark Limited was selected as the only supplier.
- (ii) Only one quotation was raised to the merchant and the management did not carry out price market survey hence it was not possible to ascertain whether the foodstuffs were supplied at fair prices.
- (iii) There no negotiations between the Executive and the supplier on the same as required by Section 104 of the Public Procurement and Assets Disposal Act, 2015.
- (iv) The foodstuffs were received and inspected by the Executive. The same were allegedly handed over to a local NGO for distribution. Although the Executive produced an MoU between it and the NGO, there were no documentary evidence availed to support how the foodstuff was handed over to the NGO, their subsequent distribution and the lists of the beneficiaries.
- (v) The relief food was procured based on a meeting of the 34th County Executive meeting held on 26 September 2017. A copy of the minutes of the said meeting supporting the

payment was not signed. The Executive meeting relied on a draught situational report submitted by the County Executive Committee Member for Agriculture. The drought assessment, according to the report was done in July 2017. The report was however not signed.

Under the circumstances, it has not been possible to ascertain whether the alleged relief food was procured, delivered, received, recorded and distributed to the County residents.

6. Irregular Award of Contracts for Roads Works

Audit review of the expenditure for road works revealed that the Executive spent an amount of Kshs.158,295,105.40 on construction of various roads. It was however observed that the contracts were awarded to contractors who did not satisfy the mandatory requirements as they lacked valid business permits and tax compliance certificates. Further, the tender evaluation documents and minutes did not have any engineer's estimate provided and there were no accosted bills of quantities. It was therefore not possible to assess the reasonableness of the bidders' quoted amounts. It was also observed that the Executive procured projects amounting to Kshs.93,721,100 through request for quotations. The tender documents such as the quotations, LSOs and minutes were all raised the same day, an indication that the tenders were split contrary to the Section 54 (1) of the Public Procurement and Assets Disposal Act, 2015 which states that no procuring entity may structure procurement as two or more procurements for the purpose of avoiding the use of a procurement procedure except where prescribed.

In view of the above, it has not been possible to ascertain whether the projects were procured in accordance with the procurement laws and whether the Executive got value for money on these projects.

7. Construction of Water Pans

Examination of payment vouchers, tender documents and other supporting documents revealed that the Executive procured contracts worth Kshs.245,778,909 in respect of construction and desilting of twenty seven (27) water pans. It was however noted that the projects amounting to Kshs.53,981,870 were not procured in accordance with the Public Procurement and Assets Disposal Act, 2015 as indicated below:

- (i) Some of the suppliers were unfairly eliminated at the preliminary evaluation for non-certification of the copies of their statutory documents such as certificate of incorporation, Tax Compliance Certificate, CR12 and NCA certificates. However, a scrutiny of the companies' profiles revealed that the documents were certified by advocates as required by the evaluation criteria. No reason was given why the merchants were eliminated when they had all the prerequisite requirements for the tender.

- (ii) Some of the contracts were awarded to suppliers whose copies of their statutory documents were not certified as required by the evaluation criteria. The contracts were therefore irregularly awarded.
- (iii) The contract for the construction of 60,000m³ mega pan at Shimbirey was unfairly awarded to Ms FATCO Construction and Transporters Ltd at a contract sum of Kshs.34,747,105.27. According to evaluation report, three of the bidders were eliminated at the preliminary stage of evaluation for lack of prerequisite requirements. Two of the bidders, FATCO and Ms Yarrow Construction Company were subjected to technical evaluation. According to the tender documents, a tenderer was required to show proof of three similar works. Scrutiny of the company profiles showed that FATCO, the winning bidder had previously constructed only one water pan while Ms Yarrow Construction Company had constructed four (4), drill two (2) boreholes among other water works. It was therefore not clear why the evaluation committee awarded the contract to FATCO who had lesser experience in water pan construction than Yarrow Construction Company.
- (iv) Physical verification carried out on 18 October 2018 revealed that fencing works for the Construction of Riba Water Pan was not done properly. Audit verification showed that the poles were not firmly fixed to the ground with cement as per the bill of quantities, hence most of them fell down. The Executive therefore did not get value for money for the amount of Kshs.606,500 paid to the contractor.

In view of the above, it has not been possible to ascertain whether the projects were procured in accordance with the procurement laws and whether the Executive got value for money on the projects.

8. Bank Accounts

During the year under review, the Executive operated twenty-three (23) bank accounts. Four (4) of the accounts were operated in Central Bank of Kenya while the other nineteen (19) were held at the local commercial banks.

The operation of the nineteen (19) bank accounts with commercial banks is contrary to Section 82(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that all County Government bank accounts shall be opened at the Central Bank of Kenya except for imprest bank accounts for petty cash. Further, the Executive did not prepare bank recompilation statement for the banks accounts held as required by section 90 of the Public Finance Management (County Government) Regulation 2015. No explanation was given why the Executive operated all the bank accounts and why bank recompilation statements were not prepared for the banks accounts held.

9. The County Government Imprest Account

The Executive maintains one main imprest account where all the funds for the operations passes through. It was noted that the Executive had two cash books for the account. One of

the cash books was opened on 18 June 2018 with an opening cash balance of Kshs.137,639,025.85 and an overdraft balance of Kshs.5,406,142. It was not clear how the overdraft came about. Scrutiny of the bank statements revealed that the Executive had a bank balance of Kshs.29,455,299.35 on the same day. However, the correctness of the opening balances could not be ascertained since the previous cash book was not made available for audit review. The cash book was closed on 30 June 2018 with a closing cash balance of Kshs.116,585,604.85 and a nil bank balance.

It was further observed that another cash book was opened on 30 June 2018 with a bank balances of Kshs.66,034,228.55. The accuracy of the opening balances could not therefore be ascertained. Various transactions were done on that date and the cash book was closed the same date. Although the cash book was balanced, no board of survey was carried out as required by the Treasury Circular Ref. No.AG4/16/2VOL.2(58) dated 25 April 2018.

In view of the foregoing, it was not possible to confirm the accuracy of the records held at cash office.

10. Transactions not Recorded in the Imprest Account

Audit scrutiny of the bank statements for the County Government imprest account maintained at the KCB Wajir revealed that withdrawals and deposits made through this account between 06 October 2017 and 29 June 2018 amounting to Kshs.409,175,031.81 and Kshs.440,954,061.65 respectively were not recorded. It was explained that the cash book where these transactions were recorded was taken away by officers of Ethics and Anti-Corruption Commission. However, there was no evidence availed to support the claim as records used to release the cash book to the officers were not made available for audit review. Non-maintenance of cash book by the Treasury is against the provision of Section 119 (5) of the Public Finance Management Act, 2012 which states that a County Treasury shall keep complete and current records of all bank accounts for which it is responsible under the Constitution, this Act or any other legislation.

Consequently, the accuracy of the imprest account balances could not be confirmed.

11. Budget Performance Analysis

During the year under review, the approved supplementary budget for the Executive was Kshs.9,373,008,907 with Kshs.5,596,547,862.35 representing 61% allocated to recurrent expenditure and Kshs.3,654,966,453 representing 31% allocated to development projects as follows:

Item	Budgeted Allocation Kshs	Actual Expenditure Kshs	Absorption Rate	% of Total Expenditure
Recurrent Expenses	5,718,042,454	5,596,547,962	97.9%	86.14%

Item	Budgeted Allocation Kshs	Actual Expenditure Kshs	Absorption Rate	% of Total Expenditure
Development Expenses	3,654,966,453	900,135,876	24.6%	13.86%
Total	9,373,008,907	6,496,683,838		

From the analysis above, it is clear that the Executive spent 24.6% of the funds allocated for development expenditure during the year under review, remaining unspent balance of Kshs.2,754,830,577.45 representing 73.4%. Failure to absorb the approved budget is likely to deny the residents of the County the much desired services.

12. Discriminative Medical Insurance Cover

During the year under review, the Executive spent an amount of Kshs.15,025,376 on medical insurance. However, it is noted that the medical cover was for the Governor, Deputy Governor, 11 CECs, 25 Chief Officers, 7 Public Service Board members and 30 Advisors contrary to SRC circular SRC/TS/CGOVT/3/61 dated 19 December 2014 which required County Governments to adopt and implement group medical scheme for all public officers serving in the County. The failure by the Executive to comply with above regulations is not only in contravention of the law but also discriminative to the other staff not included in the medical scheme. No explanation was given for the failure by the Executive to comply with the requirements of the SRC circular.

13. Statutory Deductions

During the year under review, the Executive made deductions for PAYE amounting to Kshs.482,690,459 from the county staff members. However, a scrutiny of CBK bank statement revealed that total payments of Kshs.250,972,158 was paid through the bank resulting to a difference of Kshs.231,718,301. Further, it was also noted that the Executive had not been remitting PAYE within the statutory timeline contrary to Section 37 of Income Tax Act. The non-remittance of PAYE on time is likely to attract 25% penalty and 1% interest amounting to Ksh.135,169,427.42. Further, there were no acknowledgement receipts availed for audit review to support the payment of Kshs.482,690,459.25 allegedly made to the Commissioner of Income Tax as PAYE.

No explanation was given for the failure by the Executive to remit the statutory deductions within the statutory deadline.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7 (1) (a) of the Public Audit Act, 2015. Because of the

significance of the matters described in the Basis for Conclusion of Internal Controls, Risk Management and Governance section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis for Conclusion

1. Cancellation of Cheques

Audit examination of the cheque counterfoils revealed that there were unnecessary cancellations of cheques casting doubt on the competency of the officers handling the cheques. The spoilt cheques were not stamped and labelled properly. It was also noted that some of the cheque counterfoils indicated cancelled cheques. The cheque leafs were however not attached to the booklet. Some of the cheque leafs which were neither labelled as cancelled nor taken to the bank for cashing were still attached to the booklet.

2. Withdrawals from the Bank and Processing of Payment Vouchers

Examination of cash books, payment vouchers and the cheque books revealed that there were poor internal controls in the preparation and processing of payments, cash withdrawals from the bank and recording of transactions in the cash books. The following anomalies were noted: -

- (i) The cheque books were kept by senior officers like the Chief Officer Finance and the Head of Treasury Account. Cash withdrawals amounting to Kshs.44,902,246.00 were made from the bank between 29 September 2018 and 23 October 2018 by the senior officers. The same were not recorded in the cash books as detailed below:

Date	CHQ No.	Payee	Amount Kshs
28/09/2018	007474	CFO	4,951,600.00
01/10/2018	007478	KPLC	62,446.00
02/10/2018	007479	mohamed sheikh	77,000.00
02/10/2018	007480	Mohamed rashid	275,600.00
06/10/2018	007481	CFO	175,600.00
04/10/2018	007482	CFO	4,200,000.00
03/10/2018	007483	CFO	5,000,000.00
04/10/2018	007484	CFO	5,800,000.00
04/10/2018	007485	CFO	5,300,000.00
04/10/2018	007486	CFO	4,600,000.00
04/10/2018	007487	CFO	1,200,000.00
15/10/2018	007488	no payee	2,051,200.00
	007489	no payee	3,306,300.00
25/10/2018	007490	no payee	3,160,200.00

Date	CHQ No.	Payee	Amount Kshs
15/10/2018	007491	no payee	2,482,300.00
23/10/2018	007492	no payee	2,260,000.00
		Total	44,902,246.00

The transactions were neither supported with payment vouchers or imprest warrants.

- (ii) Most of the payment vouchers prepared did not indicate the numbers, dates prepared, vote, head and the item the expenditure they are charged. Some of the payment vouchers were not examined while others were not approved or authorized by the accounting officers. Further, it was noted that some of the payment vouchers were authorized by County Chief officers who were in other departments.
- (iii) The cheque counterfoils against which the payments were processed did not indicate the payment voucher numbers hence it was not possible to trace the payments especially where the cash book was not properly maintained.

In view of the above, the propriety of the expenditure could not be ascertained

3. Director Accounting Services

The current Head of Treasury Accounts who is also the Director, Accounting services is an officer who was employed in November 2017 as an Economic Advisor to the Governor on a contract basis. However, the officer has been signing payment vouchers, cheques and other accountable documents from March 2018 as a Director, Accounting services. A scrutiny of employment details according to the officer's personal file and the payroll showed that the officer was still designated as an Economic Advisor and he has not been officially redeployed to the position he is currently acting.

In the circumstances, the legality of the duties the officer is performing as a Director Accounting Services could not be ascertained.

4. Wajir County Treasury-Cash Management

A spot check at the Executive's cash office revealed it had four cashiers. It was however noted that the cashiers were most of the time idle and their duties taken over by the County Chief Officer and the Head of Treasury Accounts. The cheques books were kept by the Head of Treasury, written by him and money withdrawn from the bank by either the Chief Officer-Finance or the Head of Treasury Accounts. In the process, the amounts withdrawn were not recorded in cash books. This was contrary to Section 83 (1) of the of the Public Finance Management (County Government) Regulations, 2015 which required County Treasury to establish sound cash management systems, procedures and processes, to ensure efficient and effective banking and cash management practices.

5. Casual Employees

Examination of the manual payroll and samples of personnel files for casual employees revealed the following:

- (i) Some casual employees were working without appointment letters while others had expired appointment letters/renewals.
- (ii) The casuals had no job descriptions.
- (iii) Some senior staff in job groups such as K, N, etc. were engaged as casual workers.
- (iv) There were casuals who had worked for more than 24 months and had not been confirmed or regularized.
- (v) Some of the casuals are not in the manual payroll and they were said to be paid through payment vouchers. However, the payment vouchers were not availed for audit review.
- (vi) Scrutiny of the manual payroll for the month of June 2018, showed casual workers without appointment date captured. However, their personnel files are not availed for audit review.

6. Failure to Establish an Audit Committee

The Executive had not established an audit committee contrary to Section 167(1) of the Public Finance Management (County Government) Regulations which requires County Government entities to establish audit committees in accordance with prescribed regulations to monitor the entities governance process, accountability process and control systems, offer objective advice on issues concerning risk, control, regulatory requirements and governance of the County.

7. Non-Preparation of Quarterly Reports

The Executive did not prepare quarterly reports for the financial year under review as required by the Section 166 (1) of the Public Financial Management Act, 2012 which states that an accounting officer for a county government entity shall prepare a report for each quarter of the financial year in respect of the entity. No proper explanation was given for not preparing the quarterly reports.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal 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 and for its assessment of the effectiveness of internal control.

In preparing the financial statements, management is responsible for assessing the County Executive of Wajir's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Executive 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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public money is applied in an effective manner.

Those charged with governance are responsible for overseeing the County Executive's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, and Internal Controls, Risk

Management and Governance sections of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of county Executive of Wajir in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.



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

Nairobi

18 February 2019.