

**REPUBLIC OF KENYA**



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL OPERATIONS OF**  
**WAJIR COUNTY ASSEMBLY**

**FOR THE PERIOD**  
**1 JULY 2013 TO 30 JUNE 2014**

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# **REPORT OF THE AUDITOR-GENERAL ON FINANCIAL OPERATIONS OF WAJIR COUNTY EXECUTIVE FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014**

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## **EXECUTIVE SUMMARY**

### **Introduction**

The Office of the Auditor-General has the mandate to audit and report on the accounts and financial operations of both the National and County Governments under Article 229 of the Constitution and the Public Audit Act, 2003. Further, Section 107 of the Public Finance Management Act, 2012 requires the County Treasury to enforce fiscal responsibilities in the management of County Government public finances to enhance service delivery to county residents.

### **Audit Objectives**

The objective of the audit was to ascertain whether the system of internal control formulated and applied by the Wajir Co0unty Executive were reliable for the management of the finances in the delivering of services to the county residents. Further, establish the enforcement of the County Government Act, 2012, the Public Procurement and Disposal Act, 2005 and its Regulations, 2006, the Public Finance Management Act, 2012 and Government Financial Regulations and Procedures were properly adhered to in managing the public resources for the benefit of the citizens.

### **Key Audit Findings**

#### **1.0 Cash and Bank Balances**

The County Executive accounting officer did not initiate and conduct a board of cash survey at the close of business on 30 June 2013 to ascertain the cash and bank balances as required by Chapter 5.9.9.2 of the Government Financial Regulations and Procedures.

#### **2.0 Procurement of Goods, Works and Services**

##### **2.1 Construction of proposed County Headquarters**

The County Executive management advertised for the construction of the County Headquarters and seven bidders applied although only two were finally evaluated. The second lowest bidder was awarded the contract at a cost of Kshs.136,730,070 whereas the lowest evaluated bidder had quoted Kshs.135,699,339.60. Further, the confidential business questionnaire for the winning bidder was not completed as required. In addition, by 10 February 2015, the contractors had only been paid Kshs.25,974,226.60.

It has not been possible to ascertain if value for money has been attained from the contract.

## **2.2 Viable Capital Projects**

The County Executive awarded various capital projects amounting to Kshs.52,081,721.00 with adherence to the Public Procurement and Disposal Act, 2005 and Regulations,2006. Tender Committee and Evaluation Committee did not carry out their functions as per the law as contractors were awarded before approval and invoiced before ward of contracts. Further non-prequalified tenders were awarded some contracts irregularly. Works completion certificates were issued before opening and awarding of tenders.

## **2.3 Procurement of Floodlights and Instillation of Solar Power**

The County Executive spent Kshs.6,952,601.50 to procure flood lights and install solar power in various secondary schools within the county. However, the process of awarding the contracts did not adhere to the procurement legislation and regulations as tender minutes approval, unsigned and undoubted inspection certificates, no notification and acceptance of contract award, quotations were evaluated after goods had been delivered and the quotations threshold of Kshs.4,000,000 was exceeded among other irregularities.

## **2.4 Funding of Stalled Appropriate Building Technology Housing (Abt) at Habaswein**

The building was initiated by the Central Government and contract awarded to a contractor at a sum of Kshs.9,204,573 on 29 November 2011. However, the project stalled due to lack of funding after Kshs.5,441,215 had been paid to the contractor the county Housing, Lands and Physical Planning Chief Officer requested for an assessment of the building for purpose of completing it. The sub county works officer indicated that Kshs.5,609,550 was due to the contractor plus a further Kshs.300,000 to cater for inflation. In addition, Kshs.3,595,073 was required to complete the project. The basis for the Kshs.300,000 was not provided and no pending bills for the outstanding amount of Kshs.5,609,550 was shown in the County records.

## **2.5 Payment for Completion Works at Wajir Medical Training College**

The contract for completion works, finishes and fencing of Wajir Medical College was awarded at a cost of Kshs.7,240,049 although Kshs.6,298,045.95 had been paid by 29 June 2014. However, the evaluation of preliminary, technical and financial was not done as required. Further, no contract agreement was signed for the contract contrary to Section 68(1) and (3) of the Public Procurement and Disposal Act, 2005.

## **2.6 Prime Cost and Premium Sums**

A number of contracts for capital projects revealed unrealistic provisions and prime costs. No breakdowns were provided for the huge provisions and prime costs included in the contracts. The figure of contingencies in the bill of quantities was not clarified in the contracts.

## **2.7 Irregular and Unaccounted for Emergency Relief Food**

The County Government of Wajir incurred Kshs.69,189,600 to procure relief food from a second lowest bidder specialised in hardware business in a tender that attracted 26 bidders under unclear circumstances.

No award notification was given contrary to Section 67(1) and (2) of the Public Procurement and Disposal Act, 2005.

No confirmation of the delivery, distribution and list of beneficiaries of the food worth Kshs.69,189,600 was provided for audit review.

## **2.8 Irregular and Unaccounted for Goods**

The County Executive purchased goods worth Kshs.54,902,955.63 without being taken on charge contrary to Section 18.2 and 18.3 of the Government Financial Regulations and Procedures.

Further, delivery notes and inspection and acceptance certificates were dated earlier than the tender opening and awarding of the tender. Request for quotations were also not dated.

## **2.9 Payment for Rental Premises**

The County Government of Wajir paid Kshs.3,636,342 for rental of office premises for three (3) months without competition. Further, payments were made without lease agreements after the three months. In addition, Nairobi liaison office rental payments were made without a lease agreement and valuation of the office buildings.

## **3.0 Payment for Consultancy Services**

The County Government Executive incurred Kshs.11,625,254 for consultancy services without adherence to the Public Procurement and Disposal Act, 2005 and Regulations, 2006 as required. Further, the consultancy reports to show services rendered were not provided for audit review.

In addition, details of Kshs.4,672,800.00 and Kshs.6,821,500 for staff costs and reimbursable costs were not shown in the bill of quantities.

### **3.1 Unsupported payment for motor vehicle insurance**

The County Government incurred an expenditure of Kshs.1,080,000 for vehicle insurance services. However, all the vital documentation including valuation reports, copy of registration certificates of the individual vehicles, duplicate insurance policy certificates for the insured vehicles were not provided for audit review.

### **3.2 Unaccounted for Fuel and Lubricants**

The Wajir County Government bought 12,990 litres of diesel and 1000 litres of petrol worth Kshs.1,778,750 without taking the fuel on charge. The delivery and insurance (usage) documents were not provided for audit verification.

### **3.3 Catering Services**

The County Government of Wajir spent Kshs.2,845,000.00 on workshops without providing list of participants for equivalent number of days being paid for.

### **3.4 Payment of Allowances**

#### **3.4.1 Unsupported Daily Subsistence Allowance (Local)**

The County Government incurred Kshs.2,048,400.00 on domestic travel and subsistence allowances. However, a number of officers claimed night outs while on full board trainings and workshops. County Public Service Board members were paid five (5) extra night outs in Naivasha National Consultative Forum.

### **3.5 Human Resource Management**

#### **3.5.1 Lack of Human Resource Manual and Schemes of Services**

The County Government of Wajir had not developed and implemented the requisite Human Resources Manuals.

### **3.6 Review Integrated Payroll and Personnel Database (IPPD)**

**3.6.1** Rights and privilege review of the IPPD revealed that 25 persons had unauthorised access to the system.

#### **3.6.2 Irregular increase of Allowances**

Some of officers basic salary was increased from Kshs.19,323 to Kshs.50,044 and Kshs.54,473 in the month of February 2014 without approval. Further, call allowances

of staff of 8 staff was increased from Kshs.30,000 per month to Kshs.40,000 in the month of April 2014.

### **3.6.3 House Allowance**

In February 2014, 92 staff were paid house allowance of Kshs.1,161,100 without authority of the increase.

### **3.6.4 Owner Occupier and House Allowance**

Five (5) staff members were paid both owner occupier and house allowance for the month of February, April, May and June 2014 without explanation.

### **3.6.5 Negative Net Pay**

One staff had negative net pay in the month of February 2014.

### **3.6.6 Staff Without Tax Pin**

A number of Wajir County Executive staff had not Tax Personal Identification Numbers. Further, two staff members had incorrect PIN numbers.

### **3.6.7 Salary Overpayment**

38 staff members were paid salary above their normal pay without explanation or authority.

### **3.6.8 Responsibility Allowance**

A staff member was paid Kshs.30,000 as responsibility allowance in April and June 2014 without authority. One bank account number was shared by two staff in February 2014.

Further (4) staff are beyond the age of 60 years and one (1) officer did not have an ID card. In addition, the payroll data is edited during odd hours and weekends. No explanation was given for this anomaly.

## **3.7 Statutory Deductions**

A total of Kshs.63,441,480.15 was paid to Kenya Revenue Authority and LAPFUND as statutory deductions. However, the deductions paid have not been acknowledged.

## **3.8 The County Public Service Board**

Although the County Executive has establish the Public Service Board, details of the Board members were not provided for audit verification as per Section 57 and 58 of the County Government Act, 2012.

### **3.9 Integrated Financial Management Information System (IFMIS)**

Although the County Executive had installed IFMIS, it is only used to procure pay module. All the other modules has serious transaction cycle delays necessitating use of orange modems.

### **3.10 Information Technology Environment**

The County Executive does not have an IT strategic plan to support its operations. Further, no formally documented and approved processes to manage upgrades and system changes to all information systems. Further, no documented and approved user management standards and procedures as well as no IT strategic committee as required.

### **3.11 Non-Current Assets**

The Wajir County Government Executive does not maintain a permanent and expendable Fixed Asset Register to record all its assets of permanent nature contrary to Section 18.5 of Government Financial Regulations and Procedures.



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

**Nairobi**

**21 May 2015**

## **DETAILED REPORT OF THE AUDITOR-GENERAL ON FINANCIAL OPERATIONS OF WAJIR COUNTY EXECUTIVE FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014**

### **Detailed Audit Findings**

#### **1.0 Cash and Bank**

##### **1.1 Failure to Carry Out Board of Survey**

Examination of the cash book and other records at the County Treasury revealed that the Accounting Officer did not arrange for a board of survey to examine and verify cash on hand and bank balances for revenue (own collection), recurrent and development cash books at the close of business on 30 June 2014 as required by chapter 5.9.9.2 of the Government Financial Regulations and Procedures. A board of survey is important in ensuring proper management of cash books and accuracy of cash and bank balances.

#### **Recommendation**

Board of survey should be conducted at the close of every financial year and a report filed appropriately.

#### **2.0 Procurement of Goods, Services and Works**

##### **2.1 Construction of Proposed County**

The County Executive of Wajir advertised for the construction of County Headquarters on 31 December 2013 in the Local Daily. It was noted that Seven (7) construction companies applied and the bids were opened on 13 January.

According to the evaluation report of the 27 January, 2014 on the proposed construction of County Headquarters, two bidders out of the seven tenderer's received, were further evaluated financially.

Examination of bill of quantities and other related records revealed that the lowest bidder was evaluated and quoted Ksh.135,699,339.60. However, the second lowest bidder was awarded the contract at a cost of Ksh.136,730,070 and no proper explanation was given as to why the contract was not awarded to the lowest evaluated bidder.

It was further noted that confidential business questionnaire for the winning firm was not completed as required by chapter 17.14.2 of the Government Financial Regulations and Procedures hence ownership of the firm that was awarded the tender was not known.

Physical verification done on 10 February 2015 revealed that the construction of the county headquarters was on going and only Kshs.25,974,226.60 was paid to the contractor for the period under review.

Under the circumstances, it was not possible to confirm whether the contract was awarded in a fair, equitable, transparent and competitive manner and also whether the County Government got value for money for the project.

### **Recommendation**

The County Executive should adhere to the provisions of the public procurement legislation to ensure a fair, competitive procurement is done in awarding contracts.

### **2.2 Various Capital Projects**

Examination of the Bill of Quantity and project files maintained at the County treasury Wajir revealed that the County Government of Wajir awarded contract amounting to Kshs.52,081,721.00 as detailed below for various projects implemented.

Fencing Wajir County Headquarters	Kshs.8,939,862.60
Construction of Fresh Produce Market at Tarbaj	Kshs.3,964,060.00
Renovation of Trade Offices	Kshs.1,649,415.00
Construction of Type 'D' 2 Dispensary Beladmin	Kshs.5,125,043.00
Construction of Wajir Baraza Park	Kshs.3,569,000.00
Site Clearance at County Headquarters	Kshs.4,842,000.00
Road Gravelling Works	<u>Kshs.23,992,341.00</u>
	<b><u>Kshs.52,081,721.00</u></b>

However, the following irregularities were observed;

- a) A number of contractors were invoicing for works before LSO was committed in the vote book and receipt acknowledged by the contractor
- b) Monitoring and evaluation of a number of projects were done long before LSO were committed in the vote book and some L.S.Os and invoice were raised at the same time.
- c) Tender opening/evaluation minutes were not made available for some projects and others had no contract agreements.
- d) Evaluation committee did not conduct technical and financial evaluation to compare each tender to the technical requirements as well as price of each tenderer.

- e) Tender opening and awarding minutes were dated after the winning bidders were notified vide immediate communication and the contractors invoiced the County Government before they were handed over the sites.
- f) Completion certificates were issued before the opening and awarding of the tenders and contractors who had not been pre-qualified were being awarded the tenders (Schedule 1)

### **2.3 Procurement of Flood Lights and Installation of Solar Power**

Examination of records maintained by County Government of Wajir revealed that an amount of Kshs.6,952,601.50 as detailed in Schedule 2 was used for procurement of flood lights and installation of solar power to secondary schools within the County.

The inspection certificate supporting the payment was not dated therefore it was not possible to confirm whether the officers visited the sites to verify and confirm whether the flood lights were installed.

Confidential Business Questionnaire did not show details of ownership of the company that was awarded the contract. Further, it was observed that the date the contract was awarded by the Tender Committee was not reflected in the tender committee minutes and the minutes awarding the contract were neither signed by the Chairman nor the Secretary. However, there was no notification of award as well as acceptance of offer for the contract. The quotations for the contract was evaluated on 15 May 2014, this was after the stock (Floodlights) were received in the stores on 2 May 2014 a clear indication of direct procurement and quotations raised for formalities.

Maximum level of expenditure under Section 88 of the Public Procurement & Disposal Act, 2005 for use of request for quotations as specified in the threshold matrix is Ksh.4,000,000. The entity did not use alternative method of procurement than request for quotations contrary to section 88 of the Public Procurement Act, 2005.

### **Recommendation**

The County Executive should adhere to the Government regulations in all procurement of works. Explain and account for the expenditure of Kshs.6,952,601.50..

### **2.4 Funding of Stalled Appropriate Building Technology Housing (Abt) at Habaswein**

Examination of Cash book voucher No. 326 of 1/6/2014 and supporting documents revealed that Kshs.5, 441,215 was paid to MK Gedi Construction Company Ltd for completion of stalled ABT housing at Habaswein. The project was initiated by the Central Government, evaluated and contract awarded to M.K Gedi Construction Co Ltd of Box 390 – 70200 Wajir at a cost of Kshs9,204,573 on 29/11/2011. The project stalled due to lack of funding. An assessment was made on the stalled project on 31/3/2014 by the sub county Works officer on request by the chief officer department of lands, housing and physical planning as per letter reference no. WCG/LHP/OD/VOL I (3) of 26/3/2014. The assessment report done revealed that total amount of Kshs.5,609,550

was due to the contractor and a further Ksh.300,000 was to cater for inflation rises during the period when the construction work stopped. Further the works officer recommended that Ksh.3,595,073 was required to complete the remaining works. However, the following observations were noted:-

- a) The tender committee discussed and approved the completion of the stalled project on 3/4/2014 under MIN 550/QT/195/Ids/2013 – 14 on the basis of evaluation and award done by the Provisional Tender Committee on 29/11/2011 and other correspondence by County Government departments
- b) It was observed that correspondence captured in the Tender Committee Min/550/QT/195/Ids/2013-14 dated 18/2/2014 to CEC Finance and Economic Planning explaining why the project stalled as well as letter dated 14/1/2014 by the CEC Lands, Housing and Urban Development addressed to the Governor requesting for assistance to fund the project were not made available for audit review.
- c) Evaluation report and previous tender documents were not made available.
- d) There were no pending bill to show the amount outstanding payable by the department of housing under Central.
- e) There was no report on the amount of Ksh.300,000 for the inflation rises cost to confirm the criteria used to arrive at the same.

### **Recommendations**

The County Executive should:

- Put in place a policy for handling unpaid dues to creditors.
- Ensure that all correspondences and project records are made available for audit verification.
- Explain and account for the expenditure.

### **2.5 Payment for the Proposed Completion Works, Finishes and fencing of Medical Training College Wajir**

Examination of cash book voucher No. 421 of 29/6/2014 for Kshs.6,298,045.95 and supporting documents held at Wajir County Treasury revealed that contract for the proposed completion works and fencing of Wajir Medical Training College was awarded to a Construction Company based in Wajir at a cost of Kshs.7,240, 049 . However the following observations were made:-

Proper evaluation stages for preliminary, technical and financial were not carried out by the evaluation committee as required by Public Procurement Regulations 2006, it was noted that all stages were combined in the preliminary stage and the winning bidder was declared as responsive

It was noted that no contract agreement was entered into by both parties to the contract as required by section 68 (1) and (3) of the Public Procurement & Disposal Act, 2005

Physical verification carried out on 10/2/2015 revealed that CDF Wajir East constructed the structures and roofing of the MTC during the financial year 2012/2013 with National Funds while the County Government did the completion works of lecture rooms, demonstration rooms, administration offices, fencing works and gate house at a cost of Ksh.7,240,049 during the financial year 2013/2014. However, the bill of quantities for the works and handing over report from the CDF Wajir East to the County Department of Health was not availed for audit to confirm that the completion works and fencing was not awarded in the previous contract awarded by CDF Wajir East. It was further noted that there was no sign board for work done by the County Government to confirm that the County Government took over the project.

Consequently, the propriety of the expenditure could not be confirmed.

### **Recommendation**

The management should ensure adherence to the Public Procurement & Disposal Act, 2005 and proper evaluation is done by the tender committee.

### **2.6 Prime Cost and Provision Sums**

Evaluation of bill of quantities for capital projects funded by Wajir County Government disclosed unrealistic provisions and prime cost as detailed in Schedule 3. Most project implemented were found to be high relative to the contract sums. The prime costs and provision sums indicate lump sum figures and does not specify the breakdown of works to be done. No justification was given as to why there were no full description and or technical requirements for plumbing, water supply and storage and drainage works and instead lump sum figure was provisioned for the same.

There was no clarification on what eventually comprise of contingencies figure in the bill of quantities after completion of works. It was further noted that complete description of electrical works provisions was not provided instead lump sum figure was provided for in the bill of quantities and in some instances provision sums were added a profit component.

Under the circumstances, the items as they are described in the bill of quantities cannot be justified.

## **Recommendation**

The management should ensure that all items in the bill of quantities should be itemized, priced and specify breakdown of work to be done.

### **2.7 Irregular and Unaccounted for Emergency Relief Food**

The County Government of Wajir used Kshs.69,189,600 for the procurement and delivery of relief food. A review of the tender process revealed that proper procedures were not followed in awarding the contract. It was noted that twenty six bidders applied for the contract advertised in the local daily on 28/2/2014.

A bidder (specialized in hardware business) based in Wajir was the second lowest bidder was awarded the contract to supply the food items at a cost of Ksh.69,189,600. However, the firm had no experience in supply of food item as it had not scored in the evaluation report. There was no notification of a ward of contract to the same firm contrary to Section 67(1) and (2) of the Procurement Act, 2005 which requires notification of award of contract to the successful and unsuccessful bidders.

There was no proper reason given as to why the lowest bidder was not awarded.

It was further noted that there were no way bills to show how the food was transported and no certificate of analysis from KEBS and Public Health was availed to confirm the suitability of the food for human consumption.

A review of the invoices reflects that it had no date and the delivery notes were not signed. The same food was not acknowledged by the County Government since it was received in the stores records. There was no indication of the ID cards of those issued with food.

In view of the above anomalies, it was not clear whether proper procedures were followed to award the contract or whether the good was issued to right individuals.

## **Recommendations**

The management should ensure that all procurements are done in conformity with the relevant regulations and food items are taken on charge and issued out and Justify the expenditure as a proper charge to public fund.

### **2.8 Irregular and Unaccounted for Goods**

Examination of records maintained by the County Government of Wajir revealed that goods and Services worth Kshs.54,902,955.63 as detailed in schedule 4 were procured during the period under review. However, the items procured were not taken on charge in the stores ledger cards contrary to section 18:2 & 3 of the Government Financial Regulations and Procedures.

It was noted that delivery notes used to support the payment had dates before the opening of the tenders and awarding of the tender. Inspection and acceptance certificates dated earlier than the delivery notes an indication that the committee issued the certificate to only support the payment process. The request for quotations used had no opening date and time.

In view of the above observation, it is not possible to ascertain whether the stores were delivered and used for the intended purposes.

## **Recommendations**

- Payments have to be processed in respect of demands for settlements of goods and services that have been supplied/rendered to the County Government.
- Stores received should be entered in the stores ledger cards and issues should be reflected in the ledger cards indicating the issue notes used in accordance with the existing Government Financial Regulations and Procedures.

### **2.9 Payment for Rental Premises**

A review of the expenditure of Wajir County revealed that an amount of Kshs.3,636,342 as detailed in schedule 5 was paid to various landlords for provision of rental premises for office rent for the three (3) months. However, it was noted that there were no evidence that office rental premises were competitively sourced as there were no request for quotations. The County Government continues making payments for the premises for the County Public Service Board after the expiry of the lease agreement on 31/3/2014.

It was further noted that County Government had rented liaison office in Nairobi. However, there was no lease agreement and there was no valuation report from Department of Housing to confirm the rate was economical and fair.

## **Recommendation**

The management should ensure that all procurements are done in accordance with the Public Procurement and Disposal Act, 2005 and the Public Procurement and Disposal Regulations, 2006 and other regulations in force.

### **3.0 Payment for Consultancy Services**

Examination of payment vouchers and supporting documents revealed that Wajir County Executive incurred an expenditure amounting to Kshs.11,625,254 as detailed in schedule 6 for consultancy services. A review of the records revealed that there were vital documents which were not availed for audit. The following vital information were not reflected in payment.

- a) There was no company profile for Sarman Engineering Company the winning firm to show the hydro geologist whose license was used is a personnel of the company.
- Request for quotation of one supplier – Edges Borehole Drilling and Pumps Limited was returned on 2/5/2014, 5 days before the request for quotations were flouted.
  - LSO was raised on 7/5/2014 the same day the request for quotations were flouted.
  - Winning bidder returned quotation on 9/5/2014, 2 days after LSO was raised.
  - Payment is supported with proposal dated 13/3/2014 from the firm that won the contract quoting Ksh.1,350,000 for the service, this is 2 months before the request for quotations were flouted.
  - Payment was made on the strength of photocopy invoice dated 6/6/014 amounting to Ksh.1,350,000 as shown in the proposal of March 2014.
  - List of 6 sites being proposed for the hydro geological investigations not shown.
  - No hydro geological report to show work was actually carried out.
  - The winning firm quoted Ksh.1,350,000 for the service and invoiced for same amount however an amount of Ksh.1,390,500 was paid for the service hence an overpayment of Ksh.40,500 to be recovered.
- b) Feasibility study, environmental impact assessment study and detailed engineering design of Roads in Wajir County.
- Contract agreement was entered on 27/12/2013 however it was observed the firm accepted the offer on 17/1/2014 , 20 days after the contract agreement was signed and not immediately.
  - Payment of Kshs.26,226,266 was made upfront to the contractor before the feasibility and the preliminary design reports were received and accepted by Roads engineer contrary to the requirement of the condition of the agreement. The contractor availed a final feasibility report on July 2014; 3 month after payment was done. The design report is yet to be produced.
  - Complete description of Kshs.4,800,500 for reimbursable cost for stage 2 as shown in price per activity was not provided in the bills of quantity.

- Complete description of Ksh.54,672,800 and Kshs.6,821,500 for staff costs and reimbursable costs for stage 1 as shown in the price per activity was not provided either in the Bill of quantities.
- The contract did not indicate commencement date of the service.

In view of the above anomalies the authenticity of the above payment could not be ascertained.

### **Recommendation**

The County Executive should justify the payment for the services as date for various documents are not consistent and payments to have been made before delivery of services.

#### **3.1 Unsupported Payment for Motor Vehicle Insurance**

The County Executive of Wajir paid an amount of Kshs.1,080,000 as detailed in schedule 8 to an Insurance firm for motor vehicle insurance services.

A review of the payment for the services revealed that there were no valuation reports from appointed valuer to ascertain the premium charged. The copies of registration certificates for the individual vehicles purported to have been insured were not also availed for audit.

It was further observed that copies of duplicate insurance policy certificates for the insured motor vehicles were not produced for audit verification to confirm duration of policy.

### **Recommendations**

The management should ensure that services procured using public funds remain fully supported and the relevant records should be availed for audit verification. Expenditure of Kshs.1,080,000 should be accounted for or recovered.

#### **3.2 Unaccounted For Fuel and Lubricants**

The Wajir County Government bought 12,990 litres of diesel and 1000 litres of petrol worth Ksh.1,778,750 as per schedule 8 from various petroleum companies during the period under review. However, the fuel was not taken on charge in bulk fuel register and there were no work tickets, counter receipt vouchers, issue notes and delivery notes that were not availed for audit to confirm the authenticity of the same.

In view of the above, it was difficult to confirm how the fuel was procured and used.

### **Recommendation**

Fuel received should be entered in the bulky fuel register, issues should be reflected in the same register and the work tickets of the vehicles issued.

### **3.3 Catering Services**

Examination of payment vouchers and other supporting documents revealed that Wajir County Executive made payment totaling Ksh.2,845,000 as per Schedule 9 for catering services for workshops. However, it was observed that the schedules of participants of the workshop and training were not attached and where the list of participants was attached they were for fewer days than the ones being paid for. It was therefore difficult to confirm if all the catering services were provided to the right participants.

#### **Recommendation**

- All payment should be supported with relevant documents.
- Unsupported payments should be recovered.

### **3.4 Payment of Allowances**

#### **3.4.1 Unsupported Daily Subsistence Allowances (Local)**

A review of the expenditure for allowances revealed that Wajir County Executive incurred expenditure totaling Kshs.2,048,400 as per schedule 10 on payment of travel and subsistence allowances to staff of the County Government and County Public Service Board members. Out of the total Kshs2,048,400 an amount of Kshs78,500 was used for hiring of taxi services that was purportedly transporting the staff to and from the airport . However, audit verification disclosed the following anomalies:-

- a) Some officers claimed night outs while attending training and consultative forums, despite being residential and on full board.
- b) An officer who was attending a 5 day training in Nairobi was paid 10 days night out, that's five extra days although, the officer was doing for the extra days in Nairobi was not disclosed.
- c) Officers who attended training at Kenya School of Government did not attach photocopy of the course programme attended to prove they actually attended the training.
- d) There was no program of work showing the activities to be undertaken by some officers who were on trips to other counties for special mission like reconciliation and consultative meetings.
- e) Two Board members who were attending a 3 day county public service board national consultative forum in Naivasha were paid 8 days night out, the five extra days in Naivasha was not disclosed or supported.

- f) In some instances there was no invitation or correspondence and official communication from the host county to show the initiation and arrangements of the visits.
- g) There was no imprest issued therefore the source of funds was not specified.

## **Recommendations**

The County Executive should adhere to the Government Financial Regulations and Procedures and always ensure that all payments are fully supported and recover the extra five (5) night outs paid from the responsible officers.

### **3.5 Human Resources Management**

#### **3.5.1 Lack of Human Resources Manuals and Scheme of Services**

The County Assembly Service Board had not developed the requisite manuals for use in the administration of the staff of the County Government. The manuals are important as they guide the board on human resource issues including performance management, annual leave management, job descriptions, payroll management and staff discipline among others.

#### **Recommendation**

Human Resources Manuals and schemes of service for staff should be developed and implemented.

### **3.6 Review Integrated Payroll and Personnel Database (IPPD)**

The Wajir County Executive implemented use of IPPD system. However, audit of the data that was analyzed revealed the following integrity issues.

#### **3.6.1 Rights and Privileges**

A review of the IPPD payroll revealed 25 unauthorized staffs as detailed in Schedule 11 who were not system administrator but were able to create and edit employees' records in the system. This poses a high risk since they can change the data without any authority.

#### **3.6.2 Irregular Increase of Allowances**

Interrogation of the IPPD data for the County Executive revealed that some officer's basic salary was increased from Ksh.19,323 to Ksh.50,044 and Ksh.54,473 in the month of February 2014 without any approval.

It was further noted that eight (8) staffs as per Schedule 12 had their emergency call allowance increased from Kshs.30,000 to Kshs.40,000 without approval in the month of April 2014.

### **3.6.3 House Allowance**

A review of the payroll revealed that an amount of Kshs.1,161,100 was paid to ninety two (92) staff as per schedule 13 as house allowance in the month of February, 2014. However, there was no authority to support the increase and therefore the payment for the same could not be justified.

### **3.6.4 Owner Occupier and House Allowance**

Five (5) members of staff as per Schedule 14 earned owner occupier allowances and house allowances for the month of February, April, May and June 2014. The staff were paid both allowance at the same time and no proper explanation was given as to why they were paid both allowances.

### **3.6.5 Negative Net Pay**

During the audit of the payroll it was noted that one (1) staff had a negative net pay for the month of February 2014. It is not clear how the negative pay was arrived at.

### **3.6.6 Staffs without Tax Pin**

Some of the members of staff for Wajir County Executive were without Tax Personal Identification Numbers (PIN). The same information was also not available in the personal files for the same officers.

#### **Incorrect PIN**

There were two (2) officers with Incorrect Tax Personal Identification Numbers reflected as A000000002P and A000000000L.

No proper explanation was given why the staff were recruited or employed without PIN and the amount of tax deducted from the officers was not reflected in the payroll.

### **3.6.7 Salary Overpayment**

Payroll data analysis revealed that there were thirty eight (38) members of staff in Schedule 15 that had been paid salary above their normal pay.

### **3.6.8 Responsibility Allowance**

A staff with personal file (Pf) number 20005485 was paid a responsibility allowance of Kshs.30,000 per month in the month of April and June 2014 amounting Ksh.60,000. However, a review of the personal file reflected that there was no letter or authority approving the responsibility allowance.

### **Sharing of Bank Account Number**

There was one (1) 1030193473997 bank account that was shared by two staffs in the month of February, 2014. No proper reason was given on how the officers shared one account.

It was further noted that there were four (4) staffs as per schedule 19 who are above the age of 60 years and were still reflected in the payroll. The payroll data also reflected that one officer with P/F number 2010157485 had no identification card.

No proper explanation was given as to why the staff were still in the payroll and how the officer without ID was employed.

### **Editing Payroll on Odd Hours**

A scrutiny of the payroll data revealed that it is edited during weekends and odd working hours as reflected in Schedule 17. There was no proper explanation as to why the payroll is edited on weekend.

### **Recommendations**

- The County Executive should ensure that staff in the payroll department are adequately trained on IPPD and access right to the system should be secured to guarantee the integrity of data processed by the system.
- Recover all the allowances that were paid erroneously or without authority.
- Correct all errors identified in the IPPD relating to staff details.
- Take administrative actions on responsible staff for editing of IPPD on odd hours/days.
- Remove any staff not approved to be on the payroll.

### **3.7 Statutory Deductions**

A review of records relating to statutory deductions and contributions of county staff revealed that an amount of Kshs.63,441,480.15 as shown on schedule 18 was paid as statutory deductions to Kenya Revenue Authority (KRA) and LAPFUND. However, no

acknowledgment letter and no documentary evidence to show that the deductions were received by both KRA and LAPFUND.

Consequently, it was not possible to confirm if statutory deductions were paid to the right institutions for the benefit of the beneficiaries.

### **Recommendation**

All statutory deductions should be remitted to the right institution and receipt should be confirmed by the institutions with acknowledgement letters.

### **3.8 The County Public Service Board**

Wajir County Government had established Public Services Board in line with Section 57 and 58 of the County Government Act, 2012. However, despite several requests, the files for the board were not produced for audit verification to confirm the qualifications and suitability of the board members. There was no documentary evidence availed to confirm that the County Public Service Board Secretary is a certified Public Secretary or of a professional required by the law.

It was further noted that the board does not maintain a register for all the applicants for the jobs that were advertised.

The Executive Member of Finance has not provided budget for the board and did not appoint the Secretary of the board as an accounting officer.

### **Recommendations**

- Records of all the people appointed by the County Public Services Board should be kept in safe custody and availed for audit review.
- A budget be provided for the CPSB and the secretary appointed as Accounting Officer.

### **3.9 Integrated Financial Management Information System (IFMIS)**

Wajir County Government installed IFMIS and uses it to handle County expenditure. The County had only utilized Procure to Pay module as at the time of inspection, the other modules such as Plan to Budget, Revenue to Cash Record to Report and ICT to Support are yet to be utilized. However, delays were noted during transaction cycle arising from downtime of IFMIS server thereby affecting their efficiency and necessitating the use of orange modem.

### **Recommendations**

- The County should utilize IFMIS fully for its financial operations and ensure County Treasury configure fiber connectivity in a virtual private network (VPN) to create a more secure and reliable connection.

- All IFMIS modules should be implemented to enhance completeness in financial reporting.

### **3.10 Information Technology Environment**

The County Executive 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 and were retained in the ICT office. This poses risk for the IT in case of fire or theft. There were no formally documented and approved user management standards and procedures in the organization, documented schedule for routine maintenance and IT strategic Committee.

The server room did not have a register for the persons who access the service indicating time and purpose and there were no service legal agreement between the ICT department and the vendor, no smoke detectors in the server room and disaster recovery plan.

#### **Recommendations**

- The County Executive should put in place measures to remedy the IT environment weaknesses.
- Establish IT strategic plan and IT strategic committee.
- Develop and implement policies and procedures to manage updates, user management standards and service level agreements for IT.

### **3.11 Non-Current Assets**

#### **3.11.1 Failure to Maintain Asset Register**

The County Executive of Wajir does not maintain permanent and expendable register to record the assets of permanent in nature. There were no inventories of the assets maintained showing description of the items, date acquired, where issued to and the location of the items contrary to chapter 18.5 of the Government Financial Regulations and Procedures.

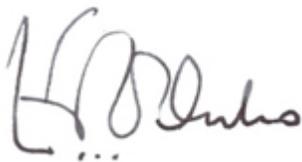
#### **Recommendation**

The County Executive should maintain a permanent and expendable register for all its assets at all times showing description of items, holders of the assets and location.

## **Conclusion**

The County Executive of Wajir had challenges in its first year of operations. The organizational structure and setting up of systems and staffing the county was slow and challenging. The County Executive should adhere to the relevant laws and the Constitution of Kenya in the management of public resources for the benefit of the residents of Wajir County.

I wish to thank the County Executive Member for Finance and Economic Planning of Wajir County and staff for the co-operation accorded to the audit team during the audit exercise.

A handwritten signature in black ink, appearing to read 'E. Ouko', with three dots below the signature.

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

**Nairobi**

**21 May 2015**