

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

**REPORT**  
**OF**  
**THE AUDITOR–GENERAL**  
**ON THE**  
**FINANCIAL OPERATIONS**  
**OF**  
**WAJIR COUNTY**

## Contents

### **SPECIAL AUDIT REPORT ON THE OPERATIONS OF WAJIR COUNTY GOVERNMENT AND ASSEMBLY AND DEFUNCT COUNTY COUNCIL OF WAJIR FOR THE PERIOD 1 JANUARY TO 30 JUNE 2013**

<b>EXECUTIVE SUMMARY .....</b>	<b>2</b>
1.0 Introduction.....	2
2.0 Audit Objectives .....	2
3.0 Key Audit Findings.....	3-13

### **DETAILED REPORT SPECIAL AUDIT REPORT ON FINANCIAL OPERATIONS OF WAJIR COUNTY GOVERNMENT EXECUTIVE AND DEFUNCT COUNTY COUNCIL FOR THE PERIOD 1 JANUARY TO 30 JUNE 2013**

1.0 Introduction.....	14
2.0 Audit Objectives .....	14
3.0 Key Audit Findings.....	15
3.1 Improper taking over of former Local Authority by the County Government .....	15
3.2 Current Assets and Liabilities .....	16
3.3 Procurement of Goods and Services .....	17
3.4 Other Findings .....	17
3.5 Improper Handing Over to the County Government .....	19
3.6 Current Assets and Liabilities .....	20
3.7 Revenue Collection.....	23
3.8 Non-Current Assets.....	24
3.9 Review of IPPD Payroll.....	25
3.10 Other Findings .....	26
3.11 Conclusion .....	29

**SPECIAL AUDIT REPORT ON THE OPERATIONS OF WAJIR  
COUNTY GOVERNMENT AND ASSEMBLY AND DEFUNCT COUNTY  
COUNCIL OF WAJIR FOR THE PERIOD 1 JANUARY TO 30 JUNE  
2013**

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**EXECUTIVE SUMMARY**

**1.0 Introduction**

The Auditor-General has the mandate under Article 229 of the Constitution to audit and report on the accounts of the National and County Governments. Further, the County Government Act, 2012 Section 134 (1) repealed the Local Government Act, Cap 265, and thus effectively dissolving all the 175 Local Authorities and creating 47 County Governments.

**1.1** According to Transition to Devolved Governments Act, 2012, after the general election on 4 March 2013, the functions, assets, liabilities and staff of the former Local Authorities were to be taken over by the County Government.

The audit teams faced several constraints during the audits, including delay in getting various documents and non-availability of key staff of the former Local Authority. These constraints resulted in delay in concluding the audits within the planned timelines.

**2.0 Audit Objectives**

The objective of the special audit exercise was to ensure existence of a seamless transition process and proper systems for accountability of public resources before, during and after transition to County Governments.

The audit covered the following key areas:

- ✓ Cash and bank balances
- ✓ Current debtors and suppliers balances
- ✓ Motor vehicles and office equipment
- ✓ IPPD Payroll and establishment
- ✓ Recurrent and development expenditure items
- ✓ Procurement and procurement procedures
- ✓ ICT and G-Pay System

### **3.0 Key Audit Findings**

#### **Wajir County Executive and Assembly**

##### **3.1 Failure to Take over the Defunct County Council of Wajir Assets and Liabilities**

The County Government of Wajir had not officially taken over the assets and liabilities of the former County Council of Wajir as at the conclusion of the audit on 12<sup>th</sup> September 2013. This is contrary to instructions issued by the former Ministry of Local Government vide circular no. MLG/1333/TY/52 of 18<sup>th</sup> February 2013. Arrangements should be made by the Transition Authority to have the assets and liabilities of the defunct County Council of Wajir officially handed over to the County Government.

##### **3.2 Current Assets and Liabilities**

###### **Non closure of Bank Accounts**

The County Government of Wajir did not make any effort to close bank accounts of the defunct County Council with a view of transferring the balances to the County Revenue Fund as directed by the Transition Authority which

required that the bank accounts be closed and reconciliations done within three (3) months w.e.f 5<sup>th</sup> March 2013. The County Council operated six (6) bank accounts comprised of Local Authority Transfer Fund (LATF) and General Rate Fund (GRF) with a net bank balance of Kshs.3,905,597.32 as at 28<sup>th</sup> February 2013. These bank accounts had not been closed as at the conclusion of the audit on 12<sup>th</sup> September 2013. All the bank accounts of the defunct County Council of Wajir should be closed and balances transferred to County Revenue Fund.

### **3.3 Procurement of Goods and Services**

#### **Irregular single sourcing of goods and works**

A total of Kshs.5,311,750 was incurred on procurement of office stationeries (Kshs.2,449,750) and food stuffs (Kshs.2,902,000) on 29 and 30 June, 2013. However, the goods were apparently single sourced as no documentary evidences were provided to confirm that quotations were floated as required by the procurement law. Procurement of goods, works and services should always be done in accordance with the Public Procurement and Disposal Act, 2005 and Regulations of 2006.

### **3.4 Other Findings**

#### **(i) Reallocation of funds to drill ten boreholes.**

The County Government of Wajir received Kshs.61,592,200 from the Transition Authority (TA) on 31 May, 2013 for construction of County Government office headquarters. Shortly thereafter, an executive decision was made on 26 June 2013 by the county executive committee to the effect that the amount be utilized for drilling ten (10) boreholes in Wajir County instead. Consequently, a local service order number 0214324 (date not indicated) was issued to National Water Conservation and Pipeline Corporation to undertake the exercise and an advance payment of Kshs.41,236,340 made on 30<sup>th</sup> June

2013. The management did not however justify the legality of the executive decision made on 26<sup>th</sup> June 2013 on reallocation of funds for purpose other than those initially intended without prior approval from the Office of the Controller of Budget. Efforts should be made to seek retrospective redress from the Office of the Controller of Budget over the matter. As at the time of audit in September 2013, only hydrological tests and reports had been done.

**(ii) Unsupported Committee Allowance s**

The County Commissioner incurred a sum of Kshs.270,000 on 23.4.2013 on account of assumption of office committee allowances before, during and after the swearing in of the Governor. However, there were no minutes on assumption of office committee to support the payment of allowances. The minutes of the assumption of office committees meeting should be made available to support the payments made.

**(iii) Unsupported Payments for Sitting Allowances**

A total of Kshs.7,132,000 was paid as sitting allowances to members of various committees. The committee meetings were held in the months of May and June 2013 and included Planning, Public Works, Culture, Justice and Legal Affairs, Public Investments, Early Childhood and Health, and attracted sitting allowances totaling to Kshs.7,132,000. However, these payments were not supported by minutes of the respective committee meetings held, or signed attendance schedules and therefore, could not be verified and confirmed. All payments for sitting allowances should be supported by relevant committee meeting minutes and signed attendance schedules.

**(iv) Unsupported Staff Training Expenses**

A payment of Kshs.283,500 was made to East Gate Hotel on 30.6.2013 but without supporting invoice. It was therefore not possible to confirm the nature

of services ordered, cost and if the same was provided by the payee. Government financial regulations and procedures should be followed whenever goods and services are procured.

## **Defunct County Council of Wajir**

### **3.5 Improper Handing Over to the County Government**

There was no proper handing over of the former Town Council of Wajir assets and liabilities to the Transition Authority as required by the Ministry of Local Government Circular No. MLG/1333/TY/52 of 18 February, 2013. As a result, the County Government has no records of assets and liabilities owned by the former County Council of Wajir, as well as other outstanding debts. The Transition Authority should arrange for proper handing over of assets, liabilities and staff of the former County Council to the County Government to enable the County Government have a basis of opening balances to be reflected in its books of account.

### **3.6 Current Assets and Liabilities**

#### **(i) Cash and Bank Balances**

The Council operated six (6) bank accounts four (4) of which reflected debit balances of Kshs.5,823,016, while two reflected credit balances totaling to Kshs.9,728,614, resulting to a net debit balance of Kshs.(3,905,597) as at 28 February 2013.

However, even though the bank balances were fully supported with bank balance certificates as at 28 February 2013, no effort was made to close and transfer the amounts to County Revenue Fund account. Similarly, bank

reconciliation statements were not prepared and there were unclear payments made before, during and after the Transition period. This was contrary to the County Government Public Finance Management Transition Act, 2013 which required that accounts of defunct local authorities be closed on 5<sup>th</sup> March 2013 or upon expiry of three months at the end of the month of May 2013 to finalize reconciliations, considering that the Council was dissolved on 28 February 2013. The Transition Authority should ensure that all bank accounts are closed and balances transferred to the County Government exchequer account. Monthly bank reconciliations should be done for all accounts to ascertain the correct balances as at 28 February, 2013.

**(ii) Debtors/Receivables**

The Council did not prepare a statement of assets and liabilities as at 28 February, 2013 as directed by the Ministry of Local Government in circular of 18 February, 2013. However, according to the audited financial statements for the year ended 30 June 2012, the debts portfolio had a closing balance of Kshs.59,493,437 which could not be justified due to non-maintenance of related records such as credible ledgers/registers and debts management policy among others.

**(iii) Creditors/Payables**

The Council did not prepare a statement of assets and liabilities as at 28 February, 2013 as directed by the Ministry of Local Government in circular of 18 February 2013. However, according to the Council's audited financial statements, current liabilities stood at Kshs.39,614,088 as at 30 June 2012, and included unpaid statutory deductions ( Kshs.18,000,000), salary arrears ( Kshs. 16,814,088) , amongst others. However, Creditors ledgers were not maintained implying that unsettled invoices or payments made could not be marched with services rendered. Appropriate creditors records should be maintained to



include particulars of each creditor. Also, no creditors should be settled before validation of the balances.

### **3.7 Revenue Collections**

#### **(i) Unaccounted for Revenue**

Revenue records for the period January to June 2013 indicate collections totaling Kshs.15,431,400 out of which, Kshs.9,534,065 was banked, Kshs. 5,713,159 was spent directly while the balance of Kshs.184,176 could not be accounted for. Revenue received or collected should be banked intact in accordance with government financial regulations and procedures.

#### **(ii) Un surrendered Revenue Receipt Books**

Nine (9) miscellaneous receipt books were issued between the months of January and March 2013 but had not been returned as at 31 August 2013. Similarly, there were no indications in the collection control sheets to suggest that revenue collected using the receipt books was accounted for either in full or in part. Further, the collectors were issued with more than one receipt book before accounting for the previous ones. Since the receipt books were issued shortly before the Council was wound up, the books should be recalled and disciplinary action taken against those unable to account for the revenue collected using the same.

### **3.8 Non-Current Assets**

- i. The Council did not prepare a statement of assets and liabilities as at 28 February, 2013 as directed by the Ministry of Local Government in circular of 18 February 2013, and therefore the value of non-current assets as at that date could not be verified and confirmed. However, according to the audited financial statements for the year ended 30 June 2012, closing

balances for Non-current assets stood at Kshs.64,497,947, which included Kshs.5,158,263 for motor vehicles, furniture, fittings and equipment. Transfer of assets and liabilities to County Government of Wajir had not been finalized as at 31 August 2013. Also, a Fixed Assets Register and inventory records were not maintained and therefore, there were no verifiable records of assets. Further, Log books for four (4) motor vehicles registration numbers KBQ 125Q, KAW 754Z, KBR 849U and KAW 797Z were not produced for audit confirmation.

The assets should be handed over to the County Government which should also ensure that proper systems for recording all assets are put in place.

### **3.9 Review of IPPD Payroll**

The Defunct County Council of Wajir operated a manual payroll system up to August, 2013 when the IPPD system was rolled out. Scrutiny of the payroll for the month of February, 2013 revealed that one casual revenue collector was brought on board as a permanent staff. The change in terms of employment was done by the clerk of the council with approval of the regional Local Government Officer as per documents seen in the personal file. The County Government should carry out audit of the staff to ascertain the optimum number and skill gaps which needs to be filled in future.

### **3.10 Other Findings**

#### **(i) Doubtful Expenditures on Capital Projects**

Payment vouchers made available for audit indicated that capital projects (works) worth Kshs.12,090,000 were paid for without the necessary supporting documents. The payments relate to fencing of dispensaries, construction of

classrooms, underground water tanks, staff quarters and administration block, among others. The payments also included supply of desks and office furniture whose details could not be verified as there were no inventory records maintained. In particular, it was not clear how the payments were processed without any reference to Local Service Orders (LSO's), Bills of Materials documents, project files, contractor's invoices, completion certificates from technical departments and inspection and acceptance committee reports. Also, procurement documents like tenders or quotations were not made available for audit review.

**(ii) Doubtful Expenditures on Consultancy Services**

Four (4) firms were paid a total of Kshs.3,880,000 in February 2013 for providing consultancy services on customer and employee satisfaction; corruption, alcohol, gender and automation of ICT; review of strategic planning and training services charter.

It was however not possible to confirm authenticity of payments made as no bid documents were produced for audit review, an indication that the services were single sourced. Further, no Local Purchase Orders or procurement/tender committee minutes that deliberated on the evaluation and award of the said services was attached to the payments vouchers. Significantly, no copies of the end products (reports) and Council's adoption minutes were provided to confirm that the services were rendered and the results implemented as desired. No value for money may have been realized on the entire expenditure of Kshs. 3,880,000 incurred on consultancy services.

**(iii) Unsupported payment of legal services**

A firm of Advocates was paid a total of Kshs.3,000,000 on 12 March 2013, being final payment for legal services rendered to the Council in respect to various court cases. The cases were heard at Nyeri Court of Appeal, Garissa High Court and Nairobi Milimani Courts. However, the Council did not maintain individual creditors ledger to show when the case started, how much was agreed on, payments made to date and outstanding balance. Further, it was noted that the outstanding balance was settled even before the cases were determined. In addition, it was not made clear how the services were sourced as no tender minutes and contractual agreements were made available for audit review.

**(iv) Unsupported payments for gratuity allowances**

Three former councilors were paid a total of Kshs.1,385,618 in February and March 2013 , being gratuity allowances for serving the Council for a continuous period of 20 years of five (5) year term each.

The payment was not supported by a copy of the ministerial circular that guided the council on how the gratuity allowances were to be computed. Also, no workings on how the amounts were computed were attached to the voucher.

In addition, a copy of oath of office certificate for each year served by the councilors was not made available for audit review. Eligibility of expenditure remains doubtful in the absence of the missing documents.

**(v) Unsupported Payments for Casual Workers**

The Council paid Kshs.380,350 on 25 February 2013 for casual wages. However, the payment was not supported with a signed schedule showing who the casuals were, their identity card numbers, where they worked and applicable

rates used for their payments. It was also not made clear how they were identified and recruited.

**(vi) Unsupported payments for travelling and accommodation expenses**

Two officials of the Council were refunded a total of Kshs.240,000 on 27.07.2013, for travelling to Nairobi to present accounts to Parliamentary sub-committee on Local Authorities from 2 July 2012 to 14 August 2012. However, the payments were not supported by any evidence of travel or invitation letters for official journeys that were undertaken.

Expenditure incurred on projects and any other procurement should be fully supported with relevant documentation.

### **3.11 Conclusion**

The foregoing observations clearly indicate that the process of taking over of assets and liabilities, including staff of the former Council was not properly handled due to apparent lack of leadership by officials of Transition Authority who had the responsibility to ensure a smooth and seamless transition process. The County Government should however ensure full control of functions, including revenue collection, recording and proper accounting for the same while awaiting guidance from the National Treasury based on the accounting and reporting systems to be developed by the Public Sector Accounting Standards Board in accordance with Section 194 of the PFMA, 2012. Expenditure should be incurred in accordance with the requirements of the Public Finance Management Act, 2012 and for the benefit of the tax payers.

Detailed audit findings are contained in the main audit report herewith appended.

A handwritten signature in black ink, appearing to read 'E. R. O. Ouko', with a stylized flourish at the end.

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

**05 December, 2013**

# **DETAILED REPORT SPECIAL AUDIT REPORT ON FINANCIAL OPERATIONS OF WAJIR COUNTY GOVERNMENT EXECUTIVE AND DEFUNCT COUNTY COUNCIL FOR THE PERIOD 1 JANUARY TO 30 JUNE 2013**

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## **1.0 Introduction**

This report covers operations of County Government of Wajir comprising the Executive and the Assembly and the defunct County Council of Wajir. The County Council of Wajir however ceased operations upon repeal of the Local Government Act, Cap 265 under Section 134 (1) of the County Government Act, 2012.

## **2.0 Audit Objectives**

The following were the main audit objectives:

- Confirm existence of proper accountability of cash and bank balances before, during and after transition to the County Government.
- Confirm that revenue and expenditure were recorded and properly accounted for before, during and after the transaction period.
- Confirm that operational debtors and creditors were accurately recorded and transferred from the defunct local authority to County Government.
- Establish that assets taken over by the County Government are properly listed, exist and are being used to provide services to the County.
- Ensure that assimilation of the defunct local authority's staff with other county government staff is seamless and no ghost workers or irregular change of items have been imported in the new IPPD system.

- Ensure that the County Assembly and Executive Committees comply with the budget and that expenditures are properly charged to County Revenue Fund.
- Ensure that ICT system is not circumvented by manual system where IFMIS and G-Pay systems are fully implemented.
- Confirm that where manual systems are in use, proper accountability system is put in place and specific plans for system changeover exist.
- Confirm that procurement of goods and services is done in accordance with the Public Procurement and Disposal Act, 2005, and related 2006 Regulations.

### **3.0 Key Audit Findings**

#### **Wajir County Executive**

##### **3.1 Improper taking over of former Local Authority by the County Government**

There was no proper handing over of assets, liabilities and staff of the defunct County Council of Wajir to the Transition Authority. No statement of assets and liabilities as at 28 February 2013 was prepared by the former local authority as required by the Ministry of Local Government circular of 18 February, 2013. The circular also required full disclosure of outstanding debts as at 28 February 2013, which was not provided.

##### ***Recommendation***

***The Transition Authority should ensure that a statement of assets and liabilities as at 28 February 2013 is prepared and proper handing over to the County Government done without further delay.***



## **3.2 Current Assets and Liabilities**

### **(i) Cash and Bank Balances**

#### **(a) Failure to Close Bank Accounts**

The County Government of Wajir did not make any effort to close accounts held by the defunct County Council of Wajir and transfer the funds from the closed accounts to the County Revenue Fund account opened with Kenya Commercial Bank Wajir. It was therefore not possible to confirm the bank balances which could have formed the basis for the County's opening balances.

#### ***Recommendation***

***The bank accounts should be closed and the funds transferred to the County Government Exchequer Account in accordance with instructions given in the County Governments Public Finance Management Act, 2013.***

#### **(b) Cash and Cash Equivalent Balances**

The County Government had bank balances totaling to Kshs.149,788,728 as at 30 June 2013, comprising Kshs.141,847,617.90 and 7,941,110 for Recurrent and Revenue Accounts respectively. However, although bank reconciliation statements for the months of June 2013 were provided for audit review, those for the months of March, April and May 2013 were not. Consequently, accuracy of the cash and bank balances as at 30 June, 2013 could not be confirmed.

#### ***Recommendation***

***Monthly bank reconciliation statements should be prepared for all cash books maintained by the County, and accuracy of the same verified and confirmed by a senior official in line with requirements of the Government financial regulations and procedures.***

### **3.3 Procurement of Goods and Services**

#### **Irregular single sourcing of goods and works**

Payment vouchers made available for audit revealed that a total of Kshs.7,211,750 was paid out in respect of office refurbishment, supply of stationery, food staffs and as well as construction of parking sheds. However, the said goods and works were not competitively sourced to satisfy the requirements of section 74 (1) (2) and (3) of the Public Procurement and Disposal Act, 2005.

#### ***Recommendation***

***The County Government should ensure that all procurements are done as per the requirements of the Public Procurement and Disposal Act, 2005 and 2006, Regulations.***

### **3.4 Other Findings**

#### **(i) Reallocation of Funds to Drill Ten (10) Boreholes**

During the period under review, the County Government of Wajir received Kshs.61,592,200 from Transition Authority (TA) for construction of County Government office Headquarters. Shortly thereafter, an executive decision was made on 26 June 2013 by the County Executive Committee to the effect that the amount be utilized on drilling of ten (10) boreholes in Wajir County instead. Consequently, a Local Service Order number 0214324 (date not indicated) was issued to National Water Conservation and Pipeline Corporation to undertake the exercise and an advance payment of Kshs.41,236,340 made on 30 June 2013 vide cheque no 000344.

During the Audit however, the management did not justify the legality of the executive decision made on 26 June 2013 to reallocate the funds for purposes

other than that initially intended. The approval of the Controller of Budget was not sought before reallocation of the funds. This action defeated the purpose of the budget and may affect implementation of planned activities.

***Recommendation***

***No funds should be reallocated without prior approval in line with Government financial regulations and procedures.***

**(ii) Unaccounted for Committee Allowances**

Examination of payment vouchers revealed that the County Commissioner incurred expenditure of Kshs.270,000 on 23 April 2013 out of which Kshs.250,000 relates to assumption of office committee allowances before and during the swearing in of the Governor. However, no minutes of committee meetings on assumption of office were attached to the payment voucher in support of the expenditure.

***Recommendation***

***The management should offer proper explanation on how the expenditure was incurred without the necessary supporting documents. No expenditure should be incurred without supporting documentation.***

**(iii) Unsupported Payments for Sitting Allowances**

A total of Kshs.7,132,000 was paid as sitting allowances to members of various committees in respect to meetings held in the month of May and June 2013. However, minutes of the various committee meetings were not attached to justify that the meetings were indeed held and that the allowances were duly paid. Also, some similar payments were made to committee members for

attending meetings nearly every day just to discuss a single agenda and consequently earn allowance. This appears irregular and the matter should be investigated and necessary action taken.

### ***Recommendations***

***Proper records of the meetings convened by County officials should be maintained. Also, the meetings should be regulated and controlled to avoid wasteful expenditure.***

#### **(iv) Unsupported/Single Sourcing of Staff Training Expenses**

An amount of Kshs.283,500 was paid to a Hotel vide payment voucher number 289 of 30 June 2013 on account of staff training. The payment was however not subjected to internal auditing/examination or supported with an invoice. On further scrutiny, it was observed that the services were single sourced, contrary to the Public Procurement and Disposal Regulations, 2006.

### ***Recommendation***

***Payments should always be fully supported and procurements done in accordance with the existing law.***

## **Former County Council of Wajir Financial Operations**

### **3.5 Improper Handing Over to the County Government**

There was no proper handing over of the former County Council of Wajir, assets and liabilities to the Transition Authority as required. This was apparently because the Transition Authority instructed the former employees to only hand over official documents, assets and office equipment in their possession.

### ***Recommendation***

***The Transition Authority should ensure that proper handing over by the former chief officers is done to include a statement of assets and liabilities, set out a debt management strategy and also assumption underlying the debt management strategy and an analysis of the sustainability of the amount of debt actual and potential as required by the Ministry of Local Government circular.***

### **3.6 Current Assets and Liabilities**

#### **(i) Cash and Bank Balances**

The Council operated six (6) bank accounts that had balances totaling to Kshs.(3,905,597.32) as at 28February 2013 arrived at as follows:

<b>Name</b>	<b>Banker</b>	<b>Amount (Kshs)</b>
LATF	KCB	3,138.05
LATF	KCB	27,073.00
General	KCB	1,047.17
General	Equity	5,791,758.51
General	Equity	(9,725,704.05)
General	Equity	<u>(2,910.00)</u>
<b>Net Total</b>		<b>(3,905,597.32)</b>

However, even though the bank balances were fully supported with bank balance certificates as at 28 February 2013, no effort was made to close and transfer the funds to County Revenue Fund account as required by the County Government Public Finance Management Transition Act, 2013. Similarly, bank reconciliation statements were not prepared and there were unclear payments

made before, during and after the Transition period. It is however, noted that the bank accounts remained inactive after the end of the month of June 2013 as signified by minimal charges on ledger/ maintenance fee reflected in the bank statements of the subsequent months.

***Recommendations***

***The Transition Authority should ensure that all bank accounts are closed and balances transferred to the County Government exchequer account.***

**(ii) Debtors/Receivables**

No statement of assets and liabilities as at 28 February 2013 was prepared by the former Local Authority as directed by the Ministry of Local Government circular of 18 February, 2013. However, according to the audited financial statements for the year ended 30 June 2012, the debtors reflected a closing balance of Kshs.59,493,437 which could not be justified due to non-maintenance of related records such as credible ledgers/registers and debts management policy, among others. The debtors' balances were as shown below:

<b>Debt Category</b>	<b>Amount (Kshs.)</b>
Property Rates and Rents	49,818,937
Commercial	687,740
Sundry debtors	<u>8,985,760</u>
<b>Total</b>	<b><u>59,493,437</u></b>

The following anomalies were also noted:

- i. An amount of Kshs.47,521,772 reflected in the debtors schedule provided for audit review in respect of plot rent defaulters as at 30 June 2013 differs

with Kshs.49,818,937 reported in the audited financial statements for 2011/2012 by un reconciled amount of Kshs.2,297,165.

- ii. Opening balances on rent from commercial debtors (Kshs.687,740) and sundry debtors (Kshs.8,985,760) as at 1 July 2012 were not supported by any schedule for confirmation and comparison purposes.
- iii. The plot rent registers were not balanced at the end of the financial year. The register did not indicate identity card numbers, trading centers and address of the plot owners.
- iv. Some payees were shown as paid without indicating the miscellaneous receipt vide which the amount paid was acknowledged.

### ***Recommendation***

***It is recommended that proper records be maintained and revenue collection efforts enhanced by establishing strong internal control systems.***

### **(iii) Creditors/Payables**

No statement of assets and liabilities as at 28 February 2013 was prepared by the former Local Authority as directed by the Ministry of Local Government circular of 18 February, 2013. As a result, it was not possible to confirm creditors' balances to be taken over to the County Government. However, according to the audited financial statements of the Council for the year ended 30 June 2013, creditors' stood at Kshs.39,614,083 made up of the following:

<b>Category of Creditors</b>	<b>Amount (Kshs.)</b>
Suppliers of goods and services	3,800,000
Sundry Creditors	1,000,000
Unpaid statutory deductions	18,000,000
Salary arrears	<u>16,814,088</u>

**Total** **39,674,088**

Creditors ledgers were not maintained implying that invoices could be settled or payments made but with no direct linkage to services rendered.

***Recommendation***

***Appropriate creditors records detailing particulars of each creditor should be maintained. Also, validation of the creditors should be done before payments are effected to prevent payments being made to ghost creditors.***

**3.7 Revenue Collection**

**(i) Unaccounted for Revenue**

Available revenue records indicated that a total of Kshs.15,431,400 was collected between January - June 2013 compared to Kshs.21,218,140 for January - June 2012 of the previous year. The shortfall was attributed to weak supervision at sub-county level, uncertainty of job security after transition period and prolonged drought. Examination of records maintained by the cashier for the period January to June 2013 revealed accumulative sum of Kshs.184,176 in respect of revenue collected but unaccounted for. Similarly, an amount of Kshs.15,431,400 collected over the same period was not banked intact as Kshs.5,713,159 was used directly on procurement of normal office goods and services.

***Recommendation***

***Revenue collected should be banked intact in accordance with financial regulations and procedures and to prevent possible misappropriation.***



## **(ii) Un-surrendered Revenue Receipt Books**

Nine (9) miscellaneous receipt books issued between the months of January and March 2013 had not been returned as at 31 August 2013. Similarly, there were no indications in the collection control sheets to suggest that revenue collected there in was accounted for either in full or in part. Further, it was noted that the collectors were issued with more than one receipt book before accounting for the previous ones. The receipt books issued are as follows:

### ***Recommendation***

*Since the receipt books were issued shortly before the council was wound up, appropriate measures should be taken to recall the books and confirm how revenue collected using the receipt books were accounted for.*

## **3.8 Non-Current Assets**

No statement of assets and liabilities as at 28 February 2013 was prepared by the former Local Authority as directed by the Ministry of Local Government circular of 18 February, 2013. However, according to the audited financial statements for the year ended 30 June 2012, closing balances for Non-current assets stood at Kshs.64,497,947 arrived at as follows:

<b>Category of Asset</b>	<b>Amount ( Kshs.)</b>
Land and Building	34,808,803
Community Assets	24,530,881
Motor vehicles	521,419
Furniture, fittings and equipment	<u>4,636,844</u>
<b>Total</b>	<b><u>64,497,947</u></b>

It was however noted that:

- (i) The value of assets as at 28 February, 2013 could not be verified and confirmed in the absence of details of the assets.
- (ii) Transfer of assets and liabilities to County Government of Wajir had not been finalized as at 31 August 2013.
- (iii) Fixed Assets Register including inventory records were not maintained and therefore were no records of assets.
- (iv) Log books for four (4) motor vehicles registration numbers KBQ 125Q, KAW 754Z, KBR 849U and KAW 797Z could not be found.

### ***Recommendation***

***The management should maintain both Fixed Asset Register and proper inventory records. Ownership documents for County assets should be obtained and put under safe custody.***

### **3.9 Review of IPPD Payroll**

The Defunct County Council of Wajir operated a manual payroll system upto August, 2013 when IPPD payroll was rolled out. The Council did not make available payrolls for July 2012 in respect to all Departments, while two payroll sheets for Conservancy and Slaughter Departments for the month of December 2012 were not made available for audit. Scrutiny of the payroll for the month of February, 2013 revealed that one casual revenue collector was brought on board as a permanent staff. The change in the terms of employment was done by the Clerk of the Council with approval from the regional Local Government Officer as per documents verified in the personal file on 5 September 2013.

### ***Recommendation***

***The County Government should carry out audit of its staff to ascertain optimum staff requirement and also, conduct assessment to identify any skill gaps which may need to be filled in future recruitments.***

### **3.10 Other Findings**

#### **(i) Doubtful Expenditures on Capital Projects**

Payment vouchers made available for audit indicated that capital projects (works) worth Kshs.12,090,000 were paid for without the necessary supporting documents. The payments relate to fencing of dispensaries, construction of classrooms, underground water tanks, staff quarters and administration block among others. The payments also included supply of desks and office furniture whose details could not be verified as no inventory records were maintained. In particular, it is not clear how the payments were processed without any reference being made to Local Service Orders (LSO's), Bills of Quantities documents; project files, contractor's invoices, completion certificates from technical departments and inspection and acceptance committee reports. Also, services for projects works and supply of furniture were apparently single sourced as no tender or quotation documents were produced for audit confirmation.

### ***Recommendation***

***The management should be made to properly account for expenditure incurred in respect of projects works and goods paid for without the supporting documents. Procurement procedures should be adhered to in all procurements made by the County Government.***

## **(ii) Doubtful Expenditure on Consultancy Services**

Records verified indicate that four (4) firms were paid a total of Kshs.3,880,000 in February 2013 for providing various consultancy services to the Council. The services included Customer and employee satisfaction (Kshs.1,450,000), Corruption, Alcohol, Gender (1,800,000), Customer/Staff satisfaction work environment and attainability needs Kshs.360,000), Review of strategic planning and training services charter( Kshs.270,000).

It was however not possible to confirm the propriety of the expenditure incurred as no bids were invited through advertisement or quotations as applicable, an indication that the services were single sourced. Further, no Local Purchase Orders, procurement/tender committee minutes were produced for audit confirmation apparently because none of the relevant meetings were held. Also, no copies of the end products (reports) and Council's adoption minutes were provided to confirm that the services were rendered and the results implemented as desired.

### ***Recommendation***

***The Council should explain why the entire procurement procedures, rules and regulations were not applied. Procurement law should be followed in all procurements.***

## **(iii) Unsupported Payment of Legal Services**

A firm of Advocates was paid a total of Kshs.3,000,000 vide cheque no.000664-67 as final payment for legal services rendered to the Council on case numbers 68/2012, 12/2011, 7/2011, 5/2012, 462/2010, 6/2012 and 5366/2012. The cases were heard at Nyeri Court of Appeal, Garissa High Courts and Nairobi Milimani Courts. However, the Council did not maintain individual creditors ledgers to show when the case started, how much was agreed on, payments

made to date and the outstanding balance before this payment was effected. Further, it was noted that the outstanding balance was settled even before the cases were determined. In addition, it was not made clear how the services were sourced as no tender minutes and contractual agreements were made available for audit review.

***Recommendation***

***Proper records should maintained showing details like when the cases started, terms of engagement, mode of procurement used, payments made to date and balance due. It is also important that a confirmation letter is obtained from the courts to the effect that the cases are either ongoing or have been settled altogether.***

**(iv) Unsupported Gratuity Allowances**

- i. Examination of payment vouchers held at the Defunct County Council of Wajir revealed that three (3) former councilors were paid a total of Kshs.1,385,618 in February and March 2013 as gratuity allowances for serving the Council for a continuous period of 20 years of five (5) year term each. However, the payments were not supported by a copy of the ministerial circular that guided the councils on how the gratuity allowances were to be computed and workings on how the amounts were computed. Also, a copy of oath of office certificate for each year served was not made available for audit review.

***Recommendation***

***Expenditure incurred should be fully supported with necessary approval documents so that eligibility of the payments can be verified and confirmed.***

**(v) Unsupported payments for Casual workers**

Examination of payment voucher 1985 of 25 February 2013 revealed that the council paid Kshs.380,350 for casual wages vide cheque no.000634. However,

the payment was not supported with a signed schedule showing who the casuals were, their identity card numbers, where they worked and applicable rates used for their payments. It was also not made clear how they were identified and recruited. The Council did not provide copies of the muster roll to show the daily work undertaken by the casual workers.

***Recommendation***

***Government financial regulations and procedures should be followed during identification and recruitment of casual workers. Proper records should be maintained for payments made.***

**(vi) Unsupported travelling and accommodation expenses**

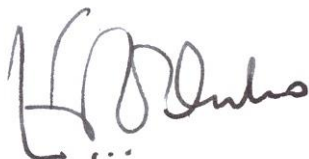
Two Council officials were refunded a total of Kshs.240,000 on 27 July 2012 for travelling to Nairobi to present accounts to parliamentary sub-committee on Local Authorities from 2 July 2012 to 14 August 2012. However, the payments were not supported by any evidence of travel or invitation letters for official journeys that were undertaken.

***Recommendation***

***No payments should be made unless proper documents have been attached to enhance accountability.***

**3.11 Conclusion**

I wish to thank the management of Wajir County for their cooperation and assistance extended to my staff during the period of this important audit assignment.



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

**05 December 2013**