REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY GOVERNMENT OF WAJIR

FOR THE YEAR ENDED 30 JUNE 2015

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke

P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNTY GOVERNMENT OF WAJIR FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of County Government of Wajir as set out on pages 1 to 39, which comprise the statement of financial assets as at 30 June 2015, and the statement of receipts and payments, statement of cash flows and statement of appropriation: recurrent and development combined and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 (4) of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 4 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 9 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County Government's internal control. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1.0 Accuracy and Completeness of the Financial Statements

The balances reflected in the financial statements as at 30 June 2015 were not supported with a trial balance. Consequently, the source, accuracy and completeness of the financial statements balances could not be ascertained.

2.0 Fixed Assets

Annex 4 to the financial statements disclosed a summary of fixed assets amounting to Ksh.1,535,820,279 as at 30th June, 2015. Further, statement of receipts and payments shows assets acquisition figure of Ksh.3,918,002,164 of this amount, assets amounting to Ksh.259,766,930 as detailed below were procured during the year under review. However, the expenditures were not supported with a fixed assets register and other supporting documents making verification of the makeup of the assets figure difficult.

Item	Amount (Kshs)
Purchase of vehicles and other transport equipment	77,751,709
Office furniture and general equipment	78,388,640
Specialized plant, equipment and machinery	44,742,940
Certified seeds, breeding stock and live animals	8,330,828
Acquisition of strategic stocks and commodities	50,552,813
Total	**259,766,930**

In addition, assets inherited from the defunct local authorities and other government departments were not disclosed.

In view of the foregoing, it has not been possible to ascertain the validity, completeness, disclosure and accuracy of the assets figure.

3.0 Unaccounted for Goods

Examination of records maintained at the County Executive and County Assembly revealed that various goods worth of Kshs.45,844,606.14 and Kshs.46,175,226 respectively were procured during the year ended 30 June 2015. However, these goods were not taken on charge in the respective stores ledgers and other related records contrary to Chapter 18.1 & 2 of Government Financial Regulations and Procedures which require that the stores purchased should be posted to stores ledger accounts

which should show at all times quantities received, quantities issued or otherwise disposed off and current balances.

Further, the goods procured were not supported with counter receipt voucher, and some counter requisition and issue notes did not indicate the point of use hence not possible to ascertain whether the alleged goods were actually procured and used for the intended purpose.

Consequently, the goods worth Kshs.92,019,832.14 allegedly procured and delivered could not be accounted.

4.0 Irregular Construction of Drifts and Bush Clearing Works

During the year under review, the County Government awarded contracts amounting to Kshs.37,118,058.71 for construction of drifts and Kshs.21,647,800 for bush clearing within the County. Payments totaling Kshs.58,765,858.71 were made to the contractors. However, the following was noted:

(i) The procuring entity used standard tender documents to procure the road works and the tenders were not evaluated as required by Public Procurement and Disposal Act, 2005.

(ii) No contract agreements were signed and executed between the County and the contractors as required by Section 68 of the Public Procurement and Disposal Act, 2005.

(iii) Although immediate communication was done to the various contractors notifying them of the award of the contract, there was no letter of acceptance on offer to support the expenditure.

(iv) The road works were not in the procurement plan and were not budgeted for the financial year 2014/2015.

In view of the foregoing, the road works were procured without competitive bidding and the amount of Kshs.58,765,858.71 was not a proper charge to public funds.

5.0 Payment for Emergency Water Trucking

During the year under review, the County Government spent Kshs.57,445,075.86 on water trucking services to various centres within the County.

However, the following issues were noted:-

(i) The work tickets supporting the payments for the water bowsers used to deliver the water were not dully completed since they lacked vital information such as timeout, time in, speedometer reading and kilometers covered to actually confirm that the vehicles hired delivered the services to the intended destinations. The work tickets also did not show the fuel drawn for the vehicles during the water trucking period.

(ii) In one instance, there were discrepancies in the number of days the water trucking service was conducted and number of water bowsers hired since the period and number of vehicles approved by the tender committee differed with the minutes of the executive committee of 6 August 2014. The anomalies have not been explained or justified.

Under the circumstances, it has not been possible to ascertain the propriety of the water trucking expenditure of Kshs.57,445,075.86.

6.0 Statutory Deductions

A review of records relating to statutory deductions and contributions of the County staff revealed that an amount of Kshs.53,648,280.10 was paid as statutory deductions to KRA, LAPFUND and SACCOS in 2014/2015. However, there were no acknowledgement letters or any other documentary evidence to show that the deductions were received by the relevant statutory bodies.

Consequently, it has not been possible to confirm that the deductions of Kshs.53,648,280.10 were paid to the right statutory bodies.

7.0 Unaccounted for Fuel

During the year under review, the County Executive and County Assembly procured fuel worth Kshs.24,812,650 and Kshs.4,742,500 respectively. However, the fuel was not recorded in the bulky fuel register. Further, the fuel registers presented for audit did not show the reference number of the Local Purchase Orders (LPO's) and the respective quantities of fuel bought.

Under the circumstances, it has not been possible to confirm that fuel worth Kshs.29,555,150 was actually procured and used for the intended purpose.

8.0 Procurement of Emergency Relief Food

Records and other supporting documents examined revealed that the County Government spent Kshs.25,606,280.00 for procurement of Emergency Relief Food during the year. However, the following was noted:-

(i) No market survey was carried out before the quotation was floated to assess the prices of the commodities as required by Section 8 3(2) of the Public Procurement and Disposal Regulations, 2006.

(ii) The quotation was opened on 30 September 2014 and L.P.O number 0003741 was raised on 9 October 2014. Although the delivery note was signed, the name and the personal number of the officer who received the commodities were not indicated.

(iii) The request by the Secretary to the County Tender Committee to procure the relief food through direct procurement was based on a letter written by the County Director, Disaster Management and Humanitarian Co-ordination in the Office of the Governor. Although the letter indicated 131,700 households were in need of urgent relief food, there was no evidence of assessment carried out and the report compiled to establish the number of households and the severity of the drought that affected the county population.

(iv) The foodstuffs were received on 10 October 2014 and recorded in the stores register and handed over to ALDEF, a local NGO for distribution. The County Government signed an MOU with the NGO on 11 June 2014 to offer the service. It was not clear how the County Government entered an MOU with the NGO to distribute foodstuffs that were procured three (3) months after the MOU was entered into.

In view of the foregoing, it has not been possible to ascertain the propriety of the expenditure amounting to Kshs.25,606,280.00.

9.0 Irregular and Doubtful Mileage Allowances

The County Government made payments totalling Kshs.24,302,650.13 to Members of the County Assembly in respect of mileage claims for the period July 2014 to June 2015.

However, the following was noted:

(i) The rate used to pay the mileage claims as indicated in the payment schedules was not supported with an approved Automobile Association (AA) applicable rate.

(ii) Some of the work tickets supporting the payments had different signatures of persons authorizing the journey from the ones of the County Assembly Members on the payment schedules and on the statutory declaration form and therefore it was not clear how the payments were made to the MCAs.

(iii) Some of the payment schedules requesting for the payment of the mileage allowances were raised on earlier date than the period the MCA's were claiming to have travelled to the areas of representations.

(iv) In some instances vehicle registration numbers indicated in statutory declaration oath form were altered and not countersigned to confirm that the alterations were valid.

(v) There were instances where two sets of work tickets were used to claim for the mileage allowances with the MCA visiting different areas on the same day.

(vi) Some of the work tickets used to claim for the mileage allowance lacked vital information such as vehicle registration number, time in and time out,

speedometer reading and the total kilometers covered and name of authorizing officer.

(vii) The transport allowance claim form did not indicate the vehicle registration number, make and total kilometres covered by the MCA to travel to their areas of representations.

(viii) In some instances MCA's were claiming more than one allowable claim per week.

Under the circumstances, the validity and priority of the mileage claim of Kshs.24,302,650.13 paid to the MCAs could not be confirmed.

10.0 Procurement of Motor Vehicles and Motor Cycles

During the year ended 30 June 2015, the County Government procured semi-trailer, low bed (35,000- 45,000) pay load and prime mover worth Kshs.23,511,840, twelve (12) motorcycles worth Kshs.5,940,000 and one cesspit emptier worth Kshs.2,095,914. The motor vehicles were procured through open tender which was advertised in the National dailies on 6 September 2014 and the motor cycles and the cesspit emptier were procured through quotations.

However, the following issues were noted:

(i) No Contract agreements were entered into and signed between the user departments and the suppliers as required by Section 68 of the Public Procurement and Disposal Act, 2005.

(ii) The requests for quotation for the procurement of the cesspit emptier were circulated to three bidders. However, the quotations were not standardized specification as required by Section 34 (1) and (2) of the Public Procurement and Disposal Act, 2005 hence the bidders could not quote for similar items and therefore there was no competitive bidding.

(iii) The motor cycles were received vide receipt voucher (S13) No.796030 of 25 May 2015 and allegedly recorded in the stores ledger. However, there was no fixed assets register in place as required by Government regulations.

(iv) Physical verification of the pay load and prime mover could not be done since they were said to be out of the station, seven (7) out of the twelve (12) motor cycles procured were verified while the remaining 5 were not made available for inspection. Further, there was no distribution plan and minutes produced to show allocation of the motor cycles.

Consequently, it has not been possible to ascertain whether the County Government got value for money from the transactions worth Kshs.31,547,754.

11.0 Procurement of Emergency Borehole Spare Parts

The County Government spent Kshs.14,900,000 for procurement of emergency borehole spare parts during the year ended 30 June, 2015. However, the following anomalies were noted:

(i) There were no requisitions from the user department and no evidence that the items issued to the boreholes were actually delivered. No acknowledgement were received from the water suppliers. The items which included gensets and other expensive parts like submersible pumps were issued to persons identified as mechanics, electricians or drivers.

(ii) Some of the officers did not sign for the spare parts issued to them and in some cases the officers were signing differently in the issue notes.

(iii) Some discrepancies were noted relating to the number of gensets issued out of the register and the issue note signed by the receiving officers.

In view of the foregoing, it has not been possible to ascertain the propriety of the expenditure of Kshs.14,900,000.

12.0 Payment of Casual Workers

Note 12 to the financial statements reflects that the county Government spent Ksh.49,327,821 on wages. An amount of Ksh.2,578,151 for the Executive (Ksh.1,169,578) and County Assembly (Ksh.1,408,573) were not supported with duly signed payment schedules or FO.79 form and no muster roll was maintained for the casual workers hence it was not possible to confirm the number of days worked by the casuals. In addition, it was noted that some casual workers continued working and were paid without renewing their appointment contracts upon expiry of the same.

Consequently, the propriety of the expenditure of Kshs.2,578,151 as at 30 June, 2015 could therefore not be ascertained.

13.0 Irregular Payment of Rental Premises

During the year under review, the County Government incurred Kshs.7,945,368 on provision of rental services to various landlords. However, the office rental premises were not competitively sourced as there were no requests for quotations. Further, the County Government had no lease agreement for the County Government Liaison office in Nairobi.

In addition, there was no valuation report from the Department of Housing for the County Public Service Board, Liason office in Nairobi and Department of Energy and Natural resources. It was therefore not possible to ascertain whether the rate paid was economical and fair. Further, the County Government continued making payments of rent for the premises for the Wajir Water and Sewerage Company after the expiry of the lease agreement on 31 January 2015.

Consequently, it has not been possible to confirm the expenditure of Kshs.7,945,368 as a proper charge to public funds.

14.0 Unsupported Training Expenses

During the year under review, the County Government spent Kshs.6,063,000 on training expenses. However, no list of participants and other records relating to the workshops amounting to Kshs.6,063,000 were provided for audit review. Further, no training programs and reports were availed to support the expenditure.

Consequently, the propriety of the expenditure of Kshs,6,063,000 could not be confirmed.

15.0 Nugatory Payments to Council of Governors

The County Government paid Kshs.5,000,000 to the Council of Governors vide payment voucher number 4281 of 11 December 2014 in respect of Inter-Governmental relations contribution for the months of October – December 2014. However, no documentary evidence to show that the payment was received by Council of Governors and the basis for such payments was provided for audit review. As a result, the propriety of the expenditure of Kshs.5,000,000, could not be confirmed.

16.0 Unsupported Travel and Subsistence Allowances

The County Government expenditure on domestic travel and subsistence allowance increased by Kshs.96,294,672 from Kshs.157,195,301 as at 30 June 2014 to Kshs.253,489,973 as at 30 June 2015.

Out of this amount, the County Executive and County Assembly paid Kshs.12,318,400 and Kshs.4,656,100 respectively to officers performing official duties outside their working stations. However, following anomalies were noted:

(i) Some payment schedules supporting the payments were not signed or acknowledged by payees.

(ii) Some of the payments were not supported with travel documents such as work tickets, bus tickets or air tickets hence the mode of transport used was not known.

(iii) Some of the payments were not supported with program of work and reports produced thereof.

(iv) Some officers signed and collected money on behalf of other officers without authority.

Under the circumstances, it has not been possible to confirm the propriety of the expenditure amounting to Kshs.21,478,500.

17.0 Pending Bills

Note 9 to the financial statements reflects accounts payable amounting to Kshs.670,508,147. However, supporting documents including contract agreements LPOs, invoices and payment vouchers were not provided for review. Further, the carrying forward of pending bills effects negatively on the implementation of he subsequent budget.

Consequently, the validity of the accounts payable figure of Kshs.670,508,147 as at 30 June 2015 could not be confirmed.

18.0 County Assembly Forum Contribution

The County Assembly paid Kshs.500,000 to the County Assembly Forum during the year under review. However, no authority or supporting documents were provided for audit review.

As a result, the propriety of the Kshs.500,000 payment could not be confirmed.

19.0 Irregular Renovation of Private Rental Premises

The County Assembly leased Liban offices at Kshs.350,000 per month. Further, the Assembly spent Kshs.5,524,273 to renovate the private premises that were leased for one year through contract to Dek's Construction Company Ltd. The contract offer, acceptance, invoice for payment occurred within a span of four days from 26 June 2014 to 30 June 2014.

In the circumstances, the propriety and value for money in the contract of Kshs.5,524,273 could not be confirmed.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the County Government of Wajir as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Other Matter

1.0 Budget Performance Analysis

During the year under review, the approved supplementary budget for Wajir County Government was Kshs.7,261,872,550 with Kshs.2,883,723,272 (40%) allocated to the recurrent expenditure and Kshs.4,378,149,278 (60%) to development as follows:-

Item	Budgeted Allocation 2014/2015 (Kshs.)	Actual 2014/2015 (Kshs.)	Absorption rate %	% of Total Expenditure
Development for 2015	3,394,649,694	2,890,769,882	85%	52%
Development 2013/2014	983,499,584	983,499,584	100%	17%
Recurrent and pending bills	2,883,723,272	2,721,971,757	94%	41%
Total	**7,261,872,550**	**6,596,241,223**	**70%**	**46.5%**

A review of the budget performance shows that the county spent Kshs.3,874,269,466 on development expenditure which is 58.7% of total expenditure. The expenditure on development vote of Kshs.983,499,584 relates to payments made to contractors engaged to implement 2013-2014 projects which were rolled over to the financial year 2014-2015.

1.1 Under Expenditure

The County Government under spent on all the expenditure items as shown below. No proper explanation has been given for the under spending on the approved budget.

Item	Budget 2014 -2015 (Kshs.)	Actuals 2014 -2015 (Kshs.)	Under (Kshs.)
Compensation of Employees	1,548,215,173	1,538,020,030	10,195,143
Use of Goods and Services	1,271,478,604	1,140,219,029	131,259,575
Acquisition of Assets	4,442,178,773	3,918,002,164	524,176,609
Total	**7,261,872,550**	**6,596,241,223**	**665,631,327**

1.2 Development Expenditure

A total of Kshs.4,378,149,278 was allocated to nine departments during the year to finance capital projects in the 2014-2015 budget period. Most of the projects were completed as at the time of audit. The County spent an amount of Kshs.3,859,060,113 on the projects, which represent 88% of the funds allocated as follows:-

Department	Budget	Actual Expenditure	% Absorption Rate
	Kshs	Kshs	%
Road Transport and Public Works	1,654,534,332	1,624,873,984	98
Agriculture, Livestock and Fisheries	346,710,740	254,372,562	73
Public Health, Medical Services and Sanitation	680,417,339	497,537,084	73
Education, Youth, Gender and Social Services	139,970,584	109,080,826	78
Energy, Environment and Natural Resources	23,500,000	21,282,540	91
Information Communication and E- Government	244,486,987	234,393,740	96
Lands, Housing and Physical Planning	190,592,754	134,983,094	71
Trade, Industrialization, Co-operative Development	130,000,000	122,016,575	94
Water Resources Development	967,936,542	860,519,708	89
TOTAL	**4,378,149,278**	**3,859,060,113**	**88**

The difference of Ksh.519,089,165 between the amount allocated to departments and their actual expenditure represent pending bills which was not paid to the contractors as at 30 June, 2015.

1.3 Recurrent Expenditure

The County's approved recurrent budget of Kshs.2,883,723,272 was 40% of the total County Budget. The budget was subdivided into 14 vote heads including Office of the Governor and the County Assembly. The cumulative expenditure according to the status report was Kshs.2,721,971,757 reflecting an overall absorption rate of 94% resulting in under absorption of Kshs.161,751,515.

1.4 Office of the Governor

The total recurrent budget of the Office of the Governor was Kshs.294,568,639 or 10% of the total recurrent budget of the County with actual expenditure of Kshs.292,775,767 as detailed below:-

ITEM	BUDGETED	EXPENDITURE	OVER	UNDER	ABSORPTION
	2014/2015	2014/2015			RATE
	Kshs.	Kshs.	Kshs.	Kshs.	
Basic Salary - Civil Service	173,463,545	173,444,809		18,736	100%

Basic Salary - County Executive Service	28,391,304	27,623,564		767,740	97%
Casual Labour - Others	20,874,550	20,628,609		245,941	99%
Water & Sewerage Charges	70,387	70,000		387	99%
Electricity Expenses	351,933	279,711		72,222	79%
Courier & Postal Services	351,933	279,000		72,933	79%
Communication, Supplies - Other	703,865	701,700		2,165	100%
Domestic Travel & Subsistence - Other	22,255,003	22,344,525	89,522		100%
Subscriptions to Newspapers	70,387	67,200		3,187	95%
Advertising, Awareness & Publicity	1,583,697	1,583,500		197	100%
Printing, Advertising - Other	351,933	171,500		180,433	49%
Hire of Transport , Equipment	2,315,461	2,029,000		286,461	88%
Production & Printing of Training					
Materials	527,899	525,270		2,629	100%
Training Expenses	3,695,293	3,684,490		10,803	100%
Catering Services	7,871,259	7,801,149		70,110	99%
Board Committee	3,167,394	3,164,150		3,244	100%
National Celebrations	1,407,731	1,406,400		1,331	100%
Medical Insurance	8,333,510	8,312,849		20,661	100%
Sanitary & Cleaning Materials	70,387	60,280		10,107	86%
Refined fuels & lubricants	6,167,394	6,164,540		2,854	100%
Bank Services Commission	17,597	-		17,597	
Legal Dues/Fees, Arbitration etc	2,460,652	2,426,980		33,672	99%
Contracted Professional Services	1,871,259	1,864,000		7,259	100%
Maintenance expenses - Motor vehicles	3,519,327	3,512,097		7,230	100%
Maintenance expenses - Others	312,252	310,400		1,852	99%
Refurbishment of non-residential					
Buildings	2,639,495	2,614,314		25,181	99%
Purchase of Printing Equipment	1,055,798	1,038,729		17,069	98%
Research, Feasibility Studies	667,394	667,000		394	100%
	294,568,639	**292,775,766**		**1,792,873**	**99%**

The Office of the Governor paid Kshs.20,628,609 to casual labourers. However, the number of casual workers and nature of services rendered was not explained to support the huge expenditure. Further, the domestic travel and subsistence allowance was overspent by Kshs.89,522.

2.0 Revenue Analysis

During the financial year under review, the County Government collected local revenue amounting to Kshs.108,144,589 against an annual local revenue target of Kshs.102,290,000. This means the County collected 5,854,589 or 105.7% of the County's annual revenue target. The county received exchequer releases amounting to Kshs.6,218,887,418 against the budgetary allocation Kshs.7,231,495,833. The County therefore under received the exchequer releases by Kshs.1,012,608,415 impacting negatively on service delivery to the county residents.

	2014-2015	2014-2015		
Item	**Budget (Kshs.)**	**Actuals (Kshs.)**	**Over (Kshs.)**	**Under (Kshs.)**
Proceeds from Domestic and Foreign Grants	17,710,000	17,710,000	-	-
Exchequer releases	7,231,495,833	6,218,887,418		1,012,608,415
Other Receipts	102,290,000	108,144,589	5,854,589	-
Total Receipts	**7,351,495,833**	**6,344,742,007**	**5,854,559**	**1,012,608,415**

3.0 Upgrading of Wajir County Roads

During the year ended 30 June, 2015, the County awarded contracts amounting to Kshs.1,556,522,224.10 for upgrading of roads within Wajir Township. The projects were procured in three lots through open tender which was advertised on the Daily Nation on 27 August, 2014, with a closing date of 16 September 2014 and was opened on the same day. However, the following anomalies were observed;

a) Although the projects were set to be completed in the months of October, November and December, 2015 for Lot 3, Lot 2 and Lot 1 respectively, audit verification as at 17 December 2015 revealed that the projects were at various stages of completion. The progress report for the month of October, 2015 indicated that 83% of the work was done against 88% of elapsed time for Lot 1, 85% of the work was done against 100% of elapsed time for Lot 2 and 80% of the work was done against 95.8% of elapsed time for Lot 3. This was a clear indication that there was slow progress of work and the projects were behind schedule.

b) Although the delay in the projects implementation was attributed to changes in the project designs, the proposed changes approval and its resultant effects on the project costs was not made available for audit review.

c) Total payments of Kshs.274,900,230.10, Kshs.363,555,474.60 and Kshs.478,547,987 or about 51.3% , 93.3% and 75.9% of the contract sum for Lot 1, Lot 2 and Lot 3 respectively had been paid to the contractors as at the time of audit. The 93.3% of the contract sum paid for Lot 2 had been paid against 80% of work done resulting in an overpayment of 13.3% (Kshs.51,799,635.81) of the contract sum.

d) Variation of prices amounting to Kshs.21,505,851, Ksh.15,625,317 and Kshs.25,288,546.70 for Lot 1, Lot 2 and Lot 3 respectively were included in the contracts sum. The basis of setting the provision for variation of prices at Ksh.62,419,714.70 for the three projects was not explained.

In view of the foregoing, it has not been possible to ascertain whether value for money for the Kshs.1,117,003,692 paid to the contractors was realized by the County Government.

4.0 Irregular Award of Contracts for Capital Projects

The County Government awarded contracts totaling Kshs.342,201,632.20 for projects implemented through the departments of Education, Health, Agriculture and Water amongst others. An amount of Kshs.279,838,338.47 was paid to the contractors for the works done but the following anomalies were observed:

(i) The technical evaluation analysis did not show the criteria used by the committee to award the score to the bidders, it was therefore not possible to ascertain whether the technical evaluation was done fairly.

(ii) In some cases, no contract agreements were signed between the contractors and the County Government as required by Section 68 of Public Procurement and Disposal Act, 2005.

(iii) Some contracts were awarded to bidders who were not the lowest evaluated bidders even when the lowest bidders had passed through the preliminary and technical stages. It was not clear why the evaluation committee recommended for the award of contracts to contractors who were not the lowest evaluated bidders.

Under the circumstances, it has not been possible to ascertain whether value for money has been realized by the County Government from the contracts.

5.0 Delayed Construction of Proposed County Executive and Assembly Headquarters

During the financial year ended 30 June, 2015, the County Government commenced construction of a County Executive and County Assembly headquarters at a contract sum of Kshs.136,730,070 and Kshs.147,750,023.60 respectively. A review of the contract agreement and other tender documents and physical verification of the projects revealed the following anomalies:-

(i) The projects completion date according to the tender documents was 25 April 2015 and 18 November 2015 for County Executive Headquarters and County Assembly Headquarters respectively. There were no projects status reports prepared for the County Assembly Headquarters hence the completion status for the projects could not be ascertained. Further, a works status report compiled by the clerk of works for the County Executive showed that the project was 85% complete. The status report was however not signed and dated. It also did not show the period it related to hence it was not possible to confirm the authenticity of the document. Physical verification carried out on 19 December 2015 revealed that the projects were still on going.

(ii) Request for extension of the contract's due date for the County Executive Headquarters was made by the contractor on 11 May 2015. A second request was made on 15 July 2015 with variation of works and costing Kshs.37,716,518.40, representing 27.6% of the contract sum which is above the accepted 25% allowable variation to the contract as stipulated in the conditions of the contract.

Further, the project manager granted an extension period of 26 weeks for the project to be completed on December, 2015 with variations and measurements of works amounting to Kshs.28,982,422.06 representing 21.2% of the contract sum as per bills of quantities prepared by the Public Works Department. The variations were however, not approved by the tender committee as required by Public Procurement and disposal Act, 2005.

(iii) A revised work program was not submitted by the contractors to the Project Manager indicating how the remaining works were to be carried out.

(iv) The entire designs of the County Executive and County Assembly Headquarters buildings were made without a disability ramp connecting to the floors. This was contrary to Section 54 (1) (c) of the Constitution of Kenya which states that a person with disability is entitled to a reasonable access to all places. This fundamental right is only achieved when the needs of the people with disability are integrated in the designs of buildings.

(v) The statements for payments on account prepared by the Public Works Department supporting the payments did not specify value of work done by abstracting such items as wholly or partially completed from the bill of quantities.

A total payment of Kshs.122,907,239.60 and Kshs.90,275,157.60 representing 89.9% and 61% of the contract sums was made to the contractors for the County Executive and County Assembly respectively as at the time of audit.

In view of the foregoing, it has not been possible to ascertain whether value for Kshs.213,182,398 paid to the contractors was actually realized by the County Government.

6.0 Lack of Human Resource Policy Documents

A review of the Human Resource department records revealed that, the County Government was operating without approved staff establishment, scheme of service for the staff, human resource policy document and integrated human resource plan.

My opinion is not qualified in respect of these matters.

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

Nairobi

14 October 2016