

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF KIAMBU FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Executive of Kiambu set out on pages 1 to 70, which comprise of the statement of assets and liabilities as at 30 June, 2019, statement of receipts and payments, statement of cash flows, and the statement of comparison of budget and actual amounts: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

In my opinion, except for the effect of the matters discussed in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of the County Executive of Kiambu as at 30 June, 2019, 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 and the County Governments Act, 2012.

Basis for Qualified Opinion

1. Variances Between the Statement of Assets and Liabilities and IFMIS Balances

The balances reflected in the statement of assets and liabilities in respect to several accounts differ with those shown in the Integrated Financial Management Information System (IFMIS) ledger, as summarized below:

Item	Financial Statements Balance (Kshs.)	IFMIS Report Balance (Kshs.)	Variance (Kshs.)
Bank Balances	1,332,355,038	(41,435,037,103.20)	42,767,392,141.2
Cash Balances		49,737,063,694.25	(49,737,063,694)
Accounts Receivables (Outstanding Imprests)	43,141,833	378,119,294.95	(334,977,462)
Accounts Payables (Deposits and Retentions)	129,714,136	13,510,128,324.25	(13,380,414,188)
Fund Balance (Brought Forward)	779,209,172	(5,635,201,100.45)	6,414,410,272
Surplus/ Deficit for the Year	466,573,562	805,168,262.20	(338,594,700)

No adequate explanation has been provided by Management for the differences and as a result, the accuracy of the statement of assets and liabilities as at 30 June, 2019 has not been confirmed.

2. Unaccounted for Funds Transferred to Operations Bank Account

Examination of bank statements and other records indicated that, Management transferred funds totalling Kshs.64,509,912 from the County Revenue Fund to the

Operations Account during the year under review. However, payment vouchers and other records on the transfers were not availed for audit.

Consequently, the occurrence, accuracy and propriety of the reported transfers totalling Kshs.64,509,912 could not be confirmed.

3. Accounts Receivable

3.1 Unconfirmed Accounts Receivables Balance

The accounts receivables-outstanding imprests balance totalling Kshs.43,141,833 as at 30 June, 2019 reflected in the statement of assets and liabilities differs with the sum of Kshs.83,216,629 recorded in the imprests register. The difference amounting to Kshs.40,074,796 between the two sets of records was not explained.

Consequently, the accuracy and completeness of the accounts receivable - outstanding imprests balance totalling Kshs.43,141,833 reflected in the statement of assets and liabilities as at 30 June, 2019 could not be confirmed.

3.2 Unaccounted for and Undisclosed Outstanding Imprests

Examination of expenditure records indicated that imprest payments totalling Kshs.235,503,125 issued to five officers, and which were outstanding at the closure of the financial year on 30 June, 2019, were not recorded in the imprests register. In addition, the imprests were omitted from the final list of outstanding imprests disclosed in the accounts receivables balance reflected in the statement of assets and liabilities as at 30 June, 2019. Although, Management indicated that the imprests were spent on operational activities, records on the actual expenditure items were not availed for audit.

In view of the omission, the financial statements do not present a true and fair view of the operations and financial position of the County Executive for the year then ended.

Further, contrary to the provisions of Regulation 93(4) of the Public Finance Management (County Governments) Regulations, 2015, the recipients were issued with multiple imprests, some on the same day, even though they had not accounted for previous ones.

4. Incorrect Classification of Expenditure and Other Transactions

A review of the IFMIS ledger revealed that several transactions totalling Kshs.5,542,353,694.75 were charged or classified under incorrect account codes. The account codes were also not in the approved budget for the year as shown below:

Item's Account Code	Item Description	Amount (Kshs.)
6780101	General Suspense A/C	4,920,309,082.50
6760103	Temporary Imprests	532,925,608.60
6740102	R/D Cheques	36,789,203.65
6530101	Ministry HQ Recurrent Bank A/C	34,500,000.00
6740101	Prepayment	9,951,300.00
6760101	Standing Imprests	7,878,500.00
Total		5,542,353,694.75

The journal entries passed to correct the anomalies were not availed for audit and as a result, the presentation and validity of the transactions was not confirmed.

5. County Own-Generated Receipts - Variance Between the Financial Statements and Revenue Records

The statement of receipts and payments reflects county-own generated revenue receipts totalling Kshs.2,737,467,842. However, the balance differs with the sum of Kshs.2,769,191,931 recorded in the county revenue bank statements. The difference of Kshs.31,724,089 between the two balances was not explained.

Further, comparison of revenue balances in the financial statements and in manual and computerized records disclosed collections totalling Kshs.2,837,467,787 and Kshs.1,793,979,141 respectively resulting in an unexplained difference of Kshs.1,043,488,646.

In the circumstance, the accuracy and completeness of the county own-generated receipts totalling Kshs.2,737,467,842 reflected in the statement of receipts and payments for the year ended 30 June, 2019 could not be confirmed.

6. Unaccounted for Medical Equipment Leasing Funds

The County Allocation of Revenue Act, 2018 appropriated the County Executive of Kiambu, Kshs.200,000,000 as a conditional grant for leasing of medical equipment. Although the grant was included in the County Executive's approved budget for the year under review, its receipt and use was not accounted for in the financial statements for the year.

Consequently, the accuracy and completeness of the total receipts and payments reflected in the statement of receipts and payments for the year ended 30 June, 2019 could not be confirmed.

7. Unsupported Expenditure

The statement of receipts and payments reflects aggregate payments amounting to Kshs.14,848,476. However, payment vouchers for expenditure totalling Kshs.380,813,493 spent on various items were not availed for verification. Management did not provide any explanation for the failure to present the records for audit.

Further, procurement records and payment vouchers for expenditure totalling Kshs.171,005,765 were not availed for audit as they were reported to have been taken by the Ethics and Anti-corruption Commission (EACC).

Consequently, the accuracy, completeness and validity of expenditures totalling Kshs.551,819,258 could not be confirmed.

8. Domestic Travel and Subsistence – Unaccounted for Imprests

Disclosed in Note 12 to the financial statements under use of goods and services are payments totalling Kshs.202,349,546 spent on domestic travel and subsistence during the year under review. However, examination of sampled records on the expenses revealed the following irregularities:

8.1 Imprests for Kiandutu Resettlement Programme Activities

Disclosed in Note 12 to the financial statements are use of goods and services payments totalling Kshs.202,349,546 made in respect to domestic travel and subsistence. Included in the balance are expenses incurred through imprests issued to various officers. Among these was an imprest amounting to Kshs.1,273,600 issued to facilitate resettlement of Kiandutu residents in March and April, 2019. However, the following anomalies were noted in respect to the expenditure:

- (i) Payments reported to have been made to the residents were not supported by a signed payees list or a report from the officers that carried out the programme. Further, the sum included payments totalling Kshs.125,000 paid at a flat rate of Kshs.5,000 to twenty-five(25) persons identified as local security but whose roles and duties were not explained.
- (ii) Approvals for the imprests indicated that only twenty-four (24) cluster members were to be paid at Kshs.500 each, or Kshs.240,000 in total. However, sixty-two (62) members were paid Kshs.496,000 without valid approval resulting in an irregular overpayment of Kshs.256,000.
- (iii) The signatures appended by some payees on the two lists availed for audit were inconsistent, which cast doubt on the propriety of the payments.
- (iv) A sum of Kshs.480,000 was spent on purchase of a digital serial machine at a cost of Kshs.48,000. However, the machine was not recorded in the stores ledger or captured in the assets register and its ownership and custody could therefore not be confirmed.
- (v) The approved budget for printing papers amounted to Kshs.50,000 but actual payments totalled Kshs.318,500, resulting in unapproved over-expenditure of Kshs.268,500.

In view of the foregoing, the occurrence, validity and propriety of the payments totalling Kshs.1,273,600 reported to have been spent on the resettlement programme could not be confirmed.

8.2 Imprest for Retreat on Affordable Housing Project

Payment records examined indicated that an imprest amounting to Kshs.905,200 was issued to an Officer to facilitate a six-day retreat in Naivasha to develop the County Governments' policy on affordable housing. The retreat was reported to have taken place between 12 and 17 February, 2019 at Masada Hotel in Naivasha. However, the records reflected the following anomalies:

- (i) The policy document developed at the retreat was not presented for audit verification.
- (ii) The payments were not supported with travel documents such as work tickets and the program of activities.
- (iii) Eight officers from the County were paid per-diem totalling to Kshs.369,100. However, they did not sign the attendance register to confirm their presence at the retreat.

As a result of these anomalies, the occurrence, validity and propriety of the expenditure amounting to Kshs.905,200 reported to have been incurred at the retreat could not be confirmed.

8.3 Imprest for Governor's Meeting at Kiandutu

An imprest amounting to Kshs.990,000 was issued to an officer to facilitate a meeting hosted by the Governor at Kiandutu on 3 March, 2019. However, examination of records on the imprest revealed the following anomalies:

- (i) The surrender voucher included documents for purchase of 200 t-shirts at a cost of Kshs.241,000 equivalent to Kshs.1,205 each, as well as hire of tents, chairs and decoration services paid for at a cost of Kshs.417,000. However, contrary to regulations, the items were procured directly from vendors who were not among those prequalified for such supplies. Besides, the t-shirts were not recorded in the stores ledgers, and as a result, it was not possible to confirm that they were supplied and issued out to residents as intended.
- (ii) Several persons with undisclosed responsibilities were paid allowances totaling Kshs.245,000 at various rates ranging from Kshs.500 to Kshs.5,000. However, the criteria used to pay the allowances was not disclosed. Further, the payees did not confirm receipt of the allowances by signing the respective payment schedules.
- (iii) The records further indicated that allowances totalling Kshs.77,000 were paid to twenty-five (25) persons listed as Kiandutu local security, and to sixty-two (62) cluster members. However, the signatures appended by the payees on various payment sheets were dissimilar, which anomaly suggested that the payments were not valid.
- (iv) Records available for audit indicated that allowances totalling Kshs.245,000 were paid to members of the local community. However, the allowances were not among the items listed or approved in the imprest request form.

In view of these anomalies, the occurrence, validity and propriety of the payments totalling Kshs.990,000 reported to have been incurred through the imprests issued to the officer have not been confirmed.

8.4 Imprests for Land Verification at Nachu and Ndeiya

Imprests totalling Kshs.2,449,800 were issued to three officers assigned to help verify lands to be acquired for construction of the Standard Gauge Railway (SGR) and regularize Kiambu Western Grazing Lands at Nachu and Ndeiya respectively.

However, examination of the imprest surrender vouchers revealed the following anomalies:

- (i) Reports and minutes of the public participation forum were not presented for audit review.
- (ii) Tents, chairs and the public address system used at the three events were procured through the Direct Procurement Method at a cost of Kshs.684,000. Management did not explain why the items were not hired through Requests for Quotation to ensure a competitive procurement process and prudent use of public funds.

- (iii) The records further indicated that allowances were paid out to various officers at daily rates of Kshs.500, Kshs.1,000, Kshs.2,000, Kshs.3,000 and Kshs.5,000. However, the payment schedules presented to support the payments did not indicate the personal numbers and designations of the officers. In addition, the officers did not sign the schedules to confirm the payments. Instead, all the payments were made to one of the officers even though there were no records to indicate that the listed payees had authorized the officer to receive the money on their behalf.
- (iv) Reports on the two activities and signed attendance lists were not presented for audit review.
- (v) Out of the imprests totalling Kshs.1,700,000 issued to one of the officers, Kshs.709,600 was not accounted for with receipts, invoices or signed lists of the payees.
- (vi) Officers from the National Land Commission were reportedly paid allowances totalling Kshs.52,000 but no records were available to confirm the payment.

In view of these anomalies, the occurrence validity and propriety of the expenditure totalling Kshs.2,449,800 shown to have been incurred by the officers during the lands verification exercise could not be confirmed.

8.5 Imprests Issued to a Taskforce on Audit Report

An imprest totalling Kshs.1,120,000 was issued to an officer to facilitate a taskforce appointed to prepare responses on the 2016/2017 financial year audit report. However, examination of the expenditure records revealed the following anomalies:

- (i) Fourteen officers were paid daily allowances amounting to Kshs.4,000 each for seven days while holding meetings and collating information on the audit report at the County Headquarters Boardroom. The reasons and authority, if any, for payment of allowances totalling Kshs.392,000 to officers in their normal course of work were not disclosed.
- (ii) Further, twelve officers were each paid per diem for four-days allowances totalling Kshs.728,000 while reportedly holding a retreat at a hotel in the County. However, travel records were not attached to the payment vouchers to validate the per diem. Further, payment of night-out allowances may have been irregular as the venue was located in the County.

In view of the foregoing, the occurrence, propriety and validity of expenditure totalling Kshs.1,120,000 paid to the officers could not be confirmed.

8.6 KICOSCA Games Expenditure Imprests

Included in the domestic travel and subsistence expenditure totalling Kshs.202,349,546 reflected in the statement of receipts and payments are imprests totalling Kshs.19,362,000 paid on 10 August, 2018 to officers to attend the Kenya Inter-County Sports Association (KICOSA) Games held in Kisii County from in August, 2018. However, the payments were not supported with relevant approvals, imprest warrants,

payment vouchers and travel documents such as work or bus fare tickets and signed participants' attendance lists.

Further, twenty-eight officers, whose names were not disclosed, were paid an allowance of Kshs.20,000 each, or Kshs.560,000 in total, by the Department of Youth Affairs for managing the preparation of County teams' for the games. The authority granted for the payment was, similarly, not availed for audit.

In view of the missing information, the occurrence, validity and propriety of the expenditures totalling Kshs.19,922,000 incurred by the County Executive on KICOSCA Games could not be confirmed.

8.7 Imprests for Meetings and Workshops

Included in domestic travel and subsistence expenditure totalling Kshs.202,349,546 reflected in the statement of receipts and payments are payments totalling Kshs.7,063,900. The payments were incurred on various meetings and workshops held during the year. However, supporting documents for the payments were not availed for audit.

Consequently, the occurrence, accuracy, and propriety of the expenditure totalling Kshs.7,063,900 could not be confirmed.

9. Unsupported Foreign Travel and Subsistence Expenditure

Included in the use of goods and services expenditure totalling Kshs.1,813,717,265 reflected in the statement of receipts and payments, and as further disclosed in Note 12 to the financial statements, are foreign travel and subsistence costs totalling Kshs.91,883,869. However, examination of sampled payment records revealed unsupported expenses as follows:

9.1 Foreign Travel to the United States of America (USA)

Records availed for audit indicated that the Governor travelled to the USA with three officers to attend the National Governors Association 2018 Summer Meeting held in Santa Fe, New Mexico between 18-22 July, 2018. Travel and accommodation costs totalling Kshs.2,637,758 were incurred during the trip. However, records on travel allowances paid to the delegation were not presented for audit. The records indicated that the duration of the trip was extended to 6 August, 2018 in order to, reportedly, accommodate several meetings with potential investors. However, the following audit observations were made in regard to the trip:

- (i) Records, including air tickets, indicated that the delegation travelled to various states and cities, including Detroit, but not Santa Fe, the cited venue of the Governors' Association meeting. No explanation was provided for the anomaly.
- (ii) No evidence was availed to confirm whether the delegation held meetings with investors.
- (iii) A travel services provider was paid Kshs.1,192,124 for air ticketing services. However, the services were procured through single-sourcing and without a Purchase Requisition and a Local Service Order as procurement regulations require. As a result, value for money may not have been attained on the transaction.

- (iv) A sum of Kshs.435,284 was paid to the travel agent in additional charges incurred on flight cancellations and change of travel dates by the delegation. The charges would not have been incurred had the delegation adhered to the original travel schedules.

In the circumstances, the occurrence, validity and value for money for the expenditures incurred on the trip to the USA could not be confirmed.

9.2 Foreign Travel to Beijing, China

Records availed for audit indicated that a sum of Kshs.1,526,282 was paid to a travel services provider to cater for air tickets for the Governor and County staff to travel to Beijing, China, to attend a two-day Forum on China Africa Cooperation (FOCAC) meeting held in September, 2018. However, the firm was procured through single-sourcing contrary to Procurement Regulations.

In addition, expenditure records for foreign travel allowances paid, copies of passports, visas, boarding passes and invitation letters for the meeting were not presented for audit review. Further, a sum of Kshs.72,888 paid in additional air travel charges was incurred on account of six flight changes on the return journey from Beijing.

In the circumstances, the accuracy, validity and value for money on the expenditure incurred on the foreign trip to China could not be confirmed.

9.3 Foreign Travel to Slovakia

Records availed for audit indicated that the County Executive spent Kshs.2,800,526 on air tickets for the Governor and several County officials in respect to a ten-day trip to Slovakia made in January, 2019, for an unspecified purpose. However, documents relating to the allowances paid to members of the delegation were not presented for audit review. Similarly, invitation letters, authority granted for the journey, boarding passes and copies of passports were not availed for audit examination.

In the absence of sufficient evidence, the occurrence, validity and value for money on the expenditure incurred on air-tickets totalling Kshs.2,800,526, and the undisclosed expenditures on travel and accommodation and other expenses could not be confirmed.

10. Use of Goods and Services

10.1 Unsupported Training Expenses

Note 12 to the financial statements reflects, training expenses totalling Kshs.93,137,050 under use of goods and services which include various payments totaling Kshs.7,037,204. The payments were, however, not supported with invitation letters, training programs, approval letters, attendance registers, work and bus tickets and attendance certificates. Further, Management did not avail a staff training and development policy or training needs assessment document to show how the expenditures fitted into the County Executive's training programs.

In the absence of sufficient and relevant evidence, the occurrence and validity of the expenditure totalling Kshs.7,037,204 could not be confirmed. In addition, it was not possible to confirm whether the training activities were relevant to the needs of the County Executive and whether the costs incurred were fair and reasonable.

10.2 Misallocation of Expenditure

Included in the training expenditure totalling Kshs.93,137,050 is Kshs.11,038,070 spent on items not related to training, including extraneous allowances, meal allowances, tender committee allowances, casual wages and other allowances. The expenditures were therefore irregular.

No plausible explanation was provided by Management for the irregularity which has, in addition, misrepresented the balance for training expenses reflected in the financial statements.

10.3 Unaccounted for and Unsupported Fuel Expenses

Included in the use of goods and services expenditure totalling Kshs.1,813,717,265, disclosed in Note 12 to the financial statements is Kshs.102,094,338 spent on purchase of fuel, oil and lubricants. Records examined indicated that during the year under review, Management made payments for fuel totaling Kshs.166,119,962 to the National Oil Corporation. However, the payments were classified under other expenses. Further, work tickets, fuel registers and detailed orders were not presented for audit review to confirm receipt and use of the fuel supplies.

Consequently, the occurrence, propriety and regularity of the expenditure totalling Kshs.166,119,962 incurred on fuel purchases during the year under review could not be confirmed.

10.4 Purchase of Artificial Insemination Equipment and Inputs

Expenses totalling Kshs.346,700,760 spent on specialized materials and services during the year under review include Kshs.12,122,000 spent on purchase of artificial insemination equipment and inputs from the Kenya Animal Genetic Resource Centre. However, the purchases were not entered in stock control cards and as a result, it was not possible to confirm that the items were received, taken on charge and issued for use as intended. In addition, procurement records indicated that the supplies were to be delivered in phases and consequently, some deliveries had not been made as at 30 June, 2019.

In the absence of sufficient records, the supply and proper use of the veterinary items worth Kshs.12,122,000 could not be confirmed.

10.5 Unsupported Purchase of Sports Equipment

The other operating expenses include expenditure totalling Kshs.1,715,000 and Kshs.1,800,000 spent on purchase of volleyballs and mountain bikes, respectively. However, examination of records revealed the following anomalies:

- (i) The distribution list for 350 volleyballs bought on 4 February, 2019, was not availed for audit review.
- (ii) Out of sixty mountain bikes purchased at a cost of Kshs.1,800,000, only twenty-nine were issued to various youth. Even then, the names of the beneficiaries and confirmation of their having received the bikes were not availed for audit.

In the absence of relevant documents, the occurrence, validity and propriety of the payments totalling Kshs.3,515,000 spent on purchase of volleyballs and mountain bikes could not be confirmed.

10.6 Failure to Disclose Unpaid Insurance Premiums

The expenditure records further indicated that the Management signed a contract with an insurance service provider to insure the County Executive's motor vehicles and motor cycles. However, the respective premiums worth Kshs.19,080,698 were not paid and as a result, the covers taken may not have been recoverable.

Further, the unpaid premiums were not disclosed and included in the list of pending bills as at 30 June, 2019. No explanation was provided by Management for the failure to pay or disclose the pending bills.

Failure to include the unpaid premiums undervalued the pending bills balance totalling Kshs.2,316,638,468 as at 30 June, 2019 by Kshs.19,080,698.

11. Transfers to Other Government Units

The statement of receipts and payments reflects transfers to other government units totalling Kshs.5,181,417,617. Examination of sampled payments revealed the following anomalies:

11.1 Shortfall in Conditional Grants Received at Thika and Kiambu Level 5 Hospitals

Disclosed under Note 1B to the financial statements are Exchequer releases for budgetary allocations to Thika and Kiambu Level 5 Hospitals totalling Kshs.538,716,762. A schedule of disbursements from The National Treasury indicated that conditional grants totalling Kshs.538,716,762 were disbursed to the County for transmission to Level 5 Hospitals during the year under review. The grants were meant to cater for curative and preventive health care services at the two hospitals. However, a review of records and bank statements at the hospitals revealed irregular transfers of Kshs.268,611,700 of the conditional grants to other health sector programmes without statutory approvals.

Management did not provide any explanation, for the irregular transfers which resulted in misappropriation of budgeted funds.

11.2 Unsupported Use of Project Funds

A sum Kshs.238,000,000 was disbursed under the Kenya Devolution Support Programme (KDSP) to finance completion of a stalled four-storey building for medical wards at Wangige Sub-County Hospital. The works had initially been awarded to a contractor at a sum of Kshs.220,283,842 in 2014.

However, out of the total receipts amounting to Kshs.238,000,000, the County paid Kshs.143,972,629.65 to various suppliers for items and purposes not related to the funding agreement. Further, documents to support the expenditure were not presented for audit review.

Consequently, the occurrence, regularity, validity and propriety of the KDSP expenditure on construction of the buildings at Wangige Sub-County Hospital could not be confirmed.

12. Unconfirmed Donations

Disclosed under Note 14 to the financial statements, are payments totalling Kshs.642,835,119 made in respect of other current transfers, grants and subsidies. The sum includes donations totalling Kshs.5,980,538 made without policy guidelines and regulations.

Among these was a sum of Kshs.800,000 incurred on two religious functions. Management identified the donations as Corporate Social Responsibility (CSR)

activities. Similarly, donations totalling Kshs.1,500,000 were made to three coffee factories in the County.

However, documents acknowledging receipt of the donations by the beneficiaries were not presented for audit review. In the absence of policy guidelines and relevant documentation, the occurrence, regularity, validity and propriety of the donations could not be confirmed.

13. Incorrect Fund Balance

The statement of assets and liabilities as at 30 June, 2017 reflects a nil brought forward fund balance, whereas the closing balance for the account as at 30 June, 2017 was Kshs.107,985,507. No plausible explanation has been provided by Management for the anomaly and as a result, the accuracy of the statement of assets and liabilities as at 30 June, 2019 could not be confirmed.

14. Unidentified Classification of Expenditure as Refer to Drawer (R/D) Cheques Account

Examination of payments made by several departments revealed that various expenditure items totalling Kshs.6,254,513 were charged to a Refer to Drawer (R/D) Cheques Account. However, the respective payment vouchers and supporting documents were not availed for audit examination. As a result, the occurrence and propriety of the expenditure totalling Kshs.6,254,513 could not be confirmed.

15. Transfers to Other Government Entities

15.1 Unconfirmed Transfers to Thika Level 5 Hospital

The IFMIS register indicated that during the year ended 30 June, 2018, Kshs.147,524,479 was transferred to Thika Level 5 Hospital under other current transfers and grants. However, the cash book and Authority to Incur Expenditure (AIE) records maintained at the Hospital indicated that Kshs.106,143,926 was received as current transfers and grants during the year under review. No plausible explanation was provided by Management for the shortfall of Kshs.41,380,553 in the transfers received at the Hospital.

In view of the anomaly, the accuracy and occurrence of transfers to other government entities balance totalling Kshs.2,651,978,665 reflected in the statement of receipts and payments for the year ended 30 June, 2018 has not been confirmed.

16. Acquisition of Assets

16.1 Missing Motor Cycles

Three motorcycles reflected in records under the Department of Lands, Housing and Physical Planning were not presented for physical verification. Their particulars were as follows:

Registration No.	Make	Department
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22 CG 102A	Yamaha Motor Cycle	Lands, Housing and Physical Planning
22 CG 113A	Yamaha Motor Cycle	Lands, Housing and Physical Planning
23 CG 114A	Yamaha Motor Cycle	Lands, Housing and Physical Planning

Further, reports, if any, filed with the Police on the motorcycles, the circumstances and the persons in whose custody they were at the time of their disappearance, were not provided for audit review.

In the absence of sufficient information, safe custody of the motor cycles could not be confirmed.

16.2 Incomplete Acquisition of Land

Disclosed in Note 17 to the financial statements under acquisition of assets is nil expenditure incurred in respect of purchase of land in 2018/2019 financial year. However, records presented for audit indicated that the County Government paid Kshs.12,900,000 in relation to acquisition of 55.2 acres of Waruhiu Agricultural Training Centre (ATC) land. An identical amount was also reflected in the financial statements for 2017/2018 financial year. Management did not provide any explanation for the anomaly.

Other records indicated that a legal suit relating to the acquisition of the land was settled out of court through a consent order that provided as follows:

- (i) The Waruhiu Agricultural Training Centre was to be paid a sum of Kshs.85,524,000 as compensation in respect of the compulsory acquisition of the land.
- (ii) A sum of Kshs.55,905,135 deposited with the High Court in October, 2010 by the Ministry of Agriculture was to be immediately released to the advocates for Waruhiu Agricultural Training Centre.
- (iii) The balance totalling Kshs.29,618,865 was to be paid by the County Government to the Waruhiu Agricultural Training Centre through their advocates, in installments, as agreed. The last installment was to be paid on 31 August, 2017.
- (iv) The title and all other documents in respect to the transfer of the property was to be released to the custody and control of the County Government's advocates within seven days of the transfer of Kshs.55,905,135.
- (v) The County Government was to bear the cost of transfer of the property including stamp duty, transfer, legal and other attendant costs.
- (vi) The County Government was to bear costs of the suit amounting to Kshs.15,000,000 payable within 45 days of the initial cash transfer amounting to Kshs.55,905,135.

As at 30 June, 2019, the County Government had paid a total of Kshs.27,900,000 to the advocates. However, at the time of audit in October, 2019, the following anomalies were noted:

- (i) The title for the land had not been released to the County Government and, therefore, ownership of the land was yet to be vested in the County Government as ordered by the Court.
- (ii) The County Government had not settled the compensation sum of Kshs.16,718,865 and cost of the suit.
- (iii) The County Government had included the 55.2-acre farm in its assets register at a value of Kshs.27,900,000 whereas the compensation for acquisition of the land including related costs totaled Kshs.85,524,000.

Management did not provide adequate explanations for these anomalies. Further, Management has not disclosed the additional actions it has taken to finalize the matter and have the land registered in the name of the County Government of Kiambu.

In view of failure to complete the transfer process, and the other irregularities anomalies noted, the ownership of the 55.2-acre farm by the County Government and its valuation in the books of account, have not been confirmed.

17. Pending Bills

The financial statements reflect under other important disclosures - pending bills totalling Kshs.2,316,638,468 summarized as follows:

Description of Pending Bills	Amount (Kshs.)
Pending Accounts Payables	1,992,019,387
Pending Staff Payables	25,465,315
Other Pending Payables	299,153,766
Grand Total	2,316,638,468

The supporting schedule, however, reflects pending bills totalling Kshs.2,191,211,102, resulting in an unexplained difference of Kshs.125,427,366.

Further, tender and contract documents; local purchase and service orders; invoices and certificates of works; and schedules detailing the names of the contractors and suppliers as well as purchase and service order numbers, and invoice and certificate numbers and descriptions of goods supplied, services provided or works, done were not provided for audit review.

In addition, insurance premiums totalling Kshs.19,080,698 were not included in the list of pending bills as raised in paragraph 10.6 of this report.

As a result, the validity, completeness and accuracy of the pending bills totalling Kshs.2,316,635,468 as at 30 June, 2018, could not be confirmed.

Further, the existence of the large balance of pending bills indicated that Management entered into financial commitments for which no resources were available contrary to Regulation 50 of the Public Finance Management (County Government) Regulations, 2015. The Regulation provides that expenditure commitments for goods and services

shall be controlled against spending and procurement plans approved by the responsible Accounting Officer based on allocations and allotments from approved budgets.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Executive of Kiambu Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there were no key audit matters to report in the year under review.

Other Matter

1.0 Budget Performance

During the year under review, the final approved expenditure budget for Kiambu County Executive amounted to Kshs.18,210,499,347 comprised of Kshs.12,300,381,570 for recurrent vote and Kshs.5,910,117,773 for development vote. However, the County Executive incurred expenditures totalling Kshs.11,322,876,450 and Kshs.4,434,229,069 on recurrent and development votes respectively resulting in an aggregate under-expenditure of Kshs.2,453,393,827.

Management did not provide adequate explanation for the failure to utilize the whole of the approved budget. The under-expenditures may have constrained delivery of services and execution of development programmes promised to the residents of Kiambu County.

2.0 Unresolved Prior Year Issues

In the audit report of the previous year, several matters were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or explained its failure to report on the progress made in resolving them as required in the reporting format set by the Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters discussed in the Basis for Conclusion on Lawfulness

and Effectiveness in Use of Public Resources section of my report, I confirm that public resources have been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Irregular Over-Expenditure

The summary statement of appropriation-recurrent and development combined for the year ended 30 June, 2019 reflects actual expenditure totalling Kshs.5,222,636,114 incurred on transfers to other government entities and units against an approved budget of Kshs.4,836,237,996 resulting in over-expenditure of Kshs.386,398,118 equivalent to 8% of the budget.

However, Management has neither explained the reasons for the over-expenditure nor provided evidence of its approval by the County Assembly. Therefore, the payments totalling Kshs.386,398,118 were irregular.

2.0 Capital Transfers Charged to Recurrent Vote

Examination of recurrent expenditure vote book status report for the year under review revealed that expenditure on capital transfers and grants totalling Kshs.64,624,048 was charged to the recurrent vote instead of the development vote. No satisfactory explanation was provided for misallocation of the expenditure between the two votes.

3.0 Revenue Budget on County-Owned Generated Receipts

The County Government had budgeted to raise own-generated receipts totalling Kshs.2,991,249,071 from local sources during the year under review. However, the actual amount collected was Kshs.2,737,467,842 or 91% of the projected amount, resulting in a revenue shortfall of Kshs.253,781,229.

Management has not provided adequate explanation for the under-performance.

Under collection of revenue results in shortfall of funds for delivery of services and implementation of development projects.

4.0 Arrears of Revenue

A review of rates and rental revenue records in the electronic County Pro System indicated that the County had arrears of revenue totalling Kshs.2,149,479,892 in property rates and Kshs.174,458,294 in house rent as at 30 June, 2019. However, there was no indication of Management having taken effective action to recover the arrears. As a result, recoverability of the arrears of revenue is doubtful.

5.0 Compensation of Employees

5.1 High Wage Bill

The statement of receipts and payments for the year ended 30 June, 2019 reflects compensation of employees' expenditure totalling Kshs.7,423,797,191 equivalent to 46% of the revenue receipts totalling Kshs.16,223,679,069 received during the year.

The expenditure therefore, exceeds the threshold of 35% set in Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015. The Regulation prescribes that expenditure on wages and benefits for public officers in County Governments should not exceed 35% of total revenue.

Because of the high wage bill, a disproportionate ratio of budgeted funds were spent on staff salaries and emoluments. This may have constrained implementation of development projects and hindered delivery of public services in the County.

5.2 Payment of Salaries Using Manual Payrolls

Records availed for audit indicated that during the year under review, the County Executive had a total of 7,450 employees. Salaries for 6,111 of the employees were processed through the Government approved Integrated Payroll and Personnel Database (IPPD) while those for 1,294 were paid through manual payrolls. Payments made through manual payrolls are prone to error due to frequent adjustments to the payroll.

The audit further indicated that employment contracts for several staff expired during the year but the staff continued in office without new contracts. Therefore, retention of the employees in the payroll was irregular.

No explanation was provided by Management for these irregularities.

6.0 Communication Supplies and Services

Procurement of Goods From Unqualified Suppliers

Disclosed under Note 12 to the financial statements are payments totalling Kshs.38,320,663 spent on purchase of communication supplies and services. The expenditure includes Kshs.7,040,661 spent on purchases from suppliers who had not been pre-qualified, contrary to Section 93(3) of Public Procurement and Asset Disposal Act, 2015. As a result, the award of the contracts to the three suppliers, and the expenditure totalling Kshs.7,040,661 incurred on the supplies was irregular.

7.0 Insurance Costs

7.1 Irregular Extension of Motor Vehicles Insurance Contract

Disclosed under Note 12 to the financial statements is the sum of Kshs.181,327,100 incurred on purchase of insurance policies during the year under review. The respective expenditure records indicated that the motor vehicles insurance contract was to cover the period ended 27 September, 2018.

However, Management extended the contract for a total of three months from 28 September to 27 October, 2018 and again from 27 October to 26 December, 2018. No explanation was provided on why the procurement process for a new contract was not started before the contract expired.

The extensions of the insurance contract were, therefore, irregular.

7.2 Failure to Procure General and Motor Vehicle Insurance Covers

Examination of motor vehicle records indicated that Management did not insure one hundred and forty of its motor vehicles and motor cycles. Besides, fifty-five motor vehicles and motor cycles had third party cover only and were therefore faced the risk of unrecoverable loss in the event of theft, fire or accidents.

Further, Management did not procure general insurance cover against fire, burglary, theft of cash, public liability and fidelity guarantee for the period 10 May, 2018 to 30 June, 2019. No explanation was provided for the failure to obtain the insurance covers. The omission exposed public assets and the general public to severe risk of loss.

8.0 Specialized Materials and Services

8.1 Over-Expenditure in Procurement of Uniforms for Drivers

Disclosed in Note 12 to the financial statements are payments totalling Kshs.346,700,760 incurred on purchase of specialized materials and services. The expenditure includes Kshs.564,000 paid to a vendor for supply and delivery of uniforms for drivers.

However, a report by the Internal Audit Unit indicated that the uniforms were procured at significantly higher prices than the recommended market prices resulting to an estimated over-expenditure of Kshs.235,810.

Management has not provided an explanation for the over-expenditure which may have resulted in uneconomic use of public funds.

8.2 Procurement of Medical Supplies from KEMSA

Records availed for audit indicated that specialized materials and services expenses totalling Kshs.346,700,760 incurred during the year under review included Kshs.55,636,626 spent on purchase of medical supplies from the Kenya Medical Supplies Agency (KEMSA). Although the respective goods received notes indicated that the Agency delivered the supplies to health facilities, the supplies were not inspected by a Verification Committee as public procurement regulations require.

As a result, the audit could not confirm whether the deliveries were made as contracted and whether value for money was obtained from the supplies.

9.0 Other Operating Expenses

9.1 Irregular Contract for Supply of Sports Uniforms

Disclosed under Note 12 to the financial statements are payments amounting to Kshs.240,538,131 spent on other operating expenses, out of which a sum of Kshs.51,074,880 was spent on purchase of sports uniforms for football, basketball and volleyball teams in the County. The procurement was done by open tender and two firms that placed bids amounting to Kshs.51,074,880 and Kshs.16,334,400 were adjudged as responsive.

After evaluation, the higher of the two bidders at Kshs.51,074,880 was awarded the contract after the lower bid at Kshs.16,334,400 was disqualified for 'bidding below the prevailing market price'. However, no market survey report was availed for audit to indicate how the assessment was arrived at.

The award of the tender to the higher bidder resulted in additional expenditure totalling Kshs.34,740,480.

In addition, stores records indicated that 120 pairs of uniforms received on 8 June, 2018 had not been distributed to the intended users at the time of the audit in December, 2019. No explanation was provided by Management for the anomaly.

As a result, the validity, propriety and value for money on the expenditure totalling Kshs.51,074,880 incurred on purchase of sports uniforms could not be confirmed.

9.2 Unsupported Kiambu Super Cup Expenditure

Included in the other operating expenses totalling to Kshs.240,538,131 spent during the year under review is Kshs.1,915,500 paid to an events management services company to manage the launch of Kiambu Super Cup, a football tournament sponsored by the County Government.

The firm was contracted to supply 100 executive caps, 100 branded t-shirts, 700 badges as well as tea and snacks, lunch and water for 700 people. However, records to support the payment, including the list of attendees, were not presented for audit review.

Consequently, the occurrence, validity and propriety of the expenditure totalling Kshs.1,915,500 could not be confirmed.

9.3 Irregular Contribution to Council of Governors

During the year under review, the County Government contributed Kshs.3,378,000 to defray expenses incurred by the Council of Governors. However, Section 37 of the Intergovernmental Relations Act provides that the expenses of the Council and other organs established by the Act shall be provided for in the budget of the National Government.

As a result, the contribution amounting to Kshs.3,378,000 made to the Council was irregular.

10.0 Routine Maintenance – Vehicles and Other Transport Equipment

10.1 Irregular Use of Standing Imprests

Disclosed under Note 12 to the financial statements are payments totalling Kshs.57,037,482 relating to routine maintenance – vehicles and other transport equipment. The expenditure includes payments totalling Kshs.2,779,939 made through imprests issued to three Officers for routine maintenance of vehicles.

However, the records availed for audit indicated that the Officers photocopied and used one warrant to account for several imprest payments. Further, the payments exceeded the low value procurement by cash threshold of Kshs.30,000 allowed under Section 107 of the Public Procurement and Asset Disposal Act, 2015.

As a result, the expenditure totalling to Kshs.2,779,939 was invalid and its propriety doubtful.

10.2 Award of Contracts to Related Companies

Examination of records on various goods and services procured by the County Executive during the year under review disclosed instances of related companies that bid for the same contracts. The companies had the same directors but were cast as distinct entities and allowed by Management to compete amongst themselves. For instance, confidential business questionnaires completed by company directors suggested that several

companies awarded contracts totalling Kshs.4,004,973 were owned by the same directors and had the same employees:

In the circumstances, award of the contracts to the companies was against the principles of fair and open competition. As a result, the regularity, propriety and value for money on the expenditure totalling Kshs.14,342,583 incurred on the contracts awarded to the companies could not be confirmed.

10.3 Irregular Procurement of Motor Vehicle Maintenance Services and Spare Parts

In addition, routine maintenance – vehicles and other transport payments, totalling Kshs.57,037,482 incurred during the year included payments totaling Kshs.2,762,897 and Kshs.3,895,671 spent on purchase of spare parts and tyres and services respectively. However, the suppliers were appointed without competitive bidding contrary to Section 91 of the Public Procurement and Asset Disposal Act, 2015. Further, mechanical reports from the transport department on the defects identified on the vehicles were not presented for audit review.

Management, therefore breached the law and, in addition, tax payers may not have obtained value for money on the expenditures incurred on the items and services supplied.

11.0 High Commission Fees on Revenue Collection and Management Software System

Disclosed in Note 12 of the financial statements are payments totalling Kshs.117,917,226 spent on routine maintenance – other assets. The expenditure includes Kshs.52,422,921 paid to a software development company for provision of an electronic revenue collection and accounting system.

Available records indicated that the County Government signed a two-year contract with the company on 7 November, 2014. However, at the time of the audit in October, 2019 the company was still running the revenue collection system for the County Executive even though there was no evidence of the contract having been extended after expiry.

Further, included in the pending bills totalling Kshs.2,060,132,797 as at 30 June, 2019 was Kshs.86,962,560 owed to two software development companies, including the developer of the revenue collection and accounting system, and a local bank.

The fee rate of 7% appeared high in comparison to the rates commonly charged for such services which in most cases does not exceed 3%. In addition, records on the performance of the system during the year under review, if any, were not availed for audit.

In view of the foregoing, the validity, value for money and effectiveness of the revenue collection software could not be confirmed.

12.0 Irregularities in Use of Donor Project Funds

Disclosed in Note 1C to the financial statements are receipts totaling Kshs.2,358,112,475 received from several development partners for use in various programmes. However, examination of records on expenditure incurred from the funds revealed several improprieties and other anomalies including irregular procurement

including absence of competitive bidding, improper accounting for expenditures and moveable assets as described in appendix 1. In view of the anomalies, it was not possible to confirm that the contracts awarded were lawful and that value for money was obtained from the respective works.

13.0 Construction of Buildings

The County Executive undertook several building projects including construction of offices, markets as well as medical and educational facilities during the year under review. Examination of records on the projects indicated that there were protracted delays in their completion and unapproved variation of works, among other anomalies described in appendix II to this report.

In view of the delays and other issues, the residents did not obtain services that the projects were expected to provide.

14.0 Refurbishment of Buildings

Examination of records on funds spent on refurbishment of buildings revealed numerous anomalies including unauthorized variation of works, stalled and delayed in works and failure to execute works as provided for in the Bills of Quantities (BQs) as highlighted in the Appendix III.

In view of the unsatisfactory execution of the works, it was not possible to confirm that value for money was obtained from the funds spent on the projects.

15.0 Construction of Roads

Records on road projects implemented during the year under review indicated several unsatisfactory issues including irregular award of contracts, execution of projects for which no funds had been provided for in the budget, or which are mandated to National Government, among other issues highlighted in Appendix IV.

In addition to the irregular actions, value for money may not have been obtained on the road construction works that were not procured fairly and competitively.

16.0 Requests for Quotations Given to Related Companies

Disclosed in Note 17 to the financial statements under acquisition of assets are payments totalling Kshs.358,639,384 for construction of civil works.

Among these are expenditures totalling Kshs.31,946,915 spent on street lighting projects awarded to various contractors. However, out of the three Requests for Quotations received from three companies, two of the companies appeared to be related since they shared directors and addresses. Therefore, contrary to Section 70 of the Public Procurement and Asset Disposal Act, 2015, the contracts were not processed and awarded in a fair and competitive way.

As a result, the validity and propriety of the contracts and value for money on the expenditures totalling Kshs.31,946,915 incurred on the projects during the year under review could not be confirmed.

17.0 Unutilized Boreholes

The expenditure records further indicated that payments totalling Kshs.15,047,336 were made for five boreholes built during the year under review. However, physical inspection

carried out in November, 2019 indicated that none of the boreholes was put to use since water pumps, or electric power to run the pumps, were not installed.

As a result, the boreholes did not provide any utility to their intended beneficiaries and no value was obtained on public funds totalling Kshs.15,047,336 spent on their construction.

18.0 Purchase of ICT Equipment

18.1 Unconfirmed Grant of Oil Press and Oil Filter Press Machines to a Non-Public Institution

A sum of Kshs.26,172,994 was spent on purchase of various equipment out of which Kshs.1,824,000 was paid to a contractor for supply of two (2) oil press machines and two (2) oil filter presses. The equipment was intended for use in value addition to promote the sunflower value chain. However, the equipment purchased for Juja Sub-County was reportedly put under the custody of a local organization involved in sunflower seed production, milling, sourcing of sunflower seeds and marketing. No records were available to confirm that valid authority was granted for issue of the machine to the private entity. Consequently, the validity of the grant and ownership of the equipment by the County Executive could not be confirmed.

Similarly, records on the equipment purchased for Kikuyu Sub-County were not available for audit review and as a result, it was not possible to confirm whether they were put to the intended use.

18.2 Unrecorded and Unused Electric Generator Procured for Kikuyu Sub-County Office

Expenditure records indicated that a sum of Kshs.1,998,000 was spent on purchase of a Three-Phase 50HZKVA electric generator for Kikuyu and Kabete Sub-Counties. However, there were anomalies in the purchase including doubtful validity of tender documents completed by bidders, uncertified tender opening records and missing tender evaluation minutes.

Further, although the generator was delivered and inspected on 30 June, 2018, it was thereafter placed outside the Sub-County offices but not put to use.

As it were, no value was received by the residents of Kikuyu Sub-County from the expenditure totalling Kshs.1,998,000 spent on purchase of the generator.

19.0 Verification of Pending Bills

Audit verification of the pending bills balance totalling Kshs.2,316,638,468 reflected under other disclosures to the financial statements indicated that some of the balances included therein were irregular expenditures as explained below:

19.1 Award of Contract for Supply of Milk Coolers to Highest Bidder

The pending bills include Kshs.3,229,600 due to a supplier contracted in June, 2016 to supply, install, test and commission three milk coolers with capacities of 10,000 litres, 5,000 litres and 2,000 litres for Gathaiti, Kanjai and Bibirioni Centres, respectively.

However, the contract was awarded to the highest bidder at a price of Kshs.16,148,000 instead of the lowest whose bid amounted to Kshs.10,389,350. No explanation was

provided by Management for the anomaly. As a result, the opportunity to save public funds totalling Kshs.5,757,650, being the difference between the highest and lowest bid prices, was lost.

19.2 Anomalies in Pending Bills

Examination of records on the pending accounts payables balance totalling Kshs.1,920,964 as at 30 June, 2019 disclosed in Note 1- other important disclosures - indicated several anomalies that raised doubt on the regularity of the respective bills:

(i) Irregular Appointment of an Unqualified Borehole Contractor

The pending accounts payables include Kshs.3,579,422 due to a contractor for drilling a 350-metre-deep borehole at Gitaru in Kabete Ward. However, it was not explained how the company was identified given that it was not among the prequalified contractors for the service. The appointment therefore contravened Section 95(3) of the Public Procurement and Asset Disposal Act, 2015.

(ii) Appointment of an Unqualified Borehole Contractor

The pending bills balance includes a sum of Kshs.3,276,176 shown as payable to a contractor for drilling a 350-metre-deep borehole at Ondiri, in Kikuyu Sub-County. The contract was awarded to the lowest bidder at a contract price of Kshs.3,276,176. The bill was supported by Delivery Note No. 265 dated 28 June, 2018, Invoice No. 317 also dated 28 June, 2018 and an Inspection Report dated 21 June, 2018. It is not clear how the works were inspected before they were delivered, as indicated in the dates of the Delivery Note and Inspection Report.

In addition, two of the contractors who participated in the tender were not among the contractors for borehole drilling services pre-qualified by Management. Their inclusion in the tender was therefore contrary to Section 95(3) of the Public Procurement and Asset Disposal Act, 2015.

As a result of these anomalies, the validity and value for money on the pending bills amounting to Kshs.3,276,176 reportedly incurred on drilling a borehole at Ondiri, Kikuyu Sub-county, could not be confirmed.

(iii) Failure to Award Tender for construction of Lari Level 4 Hospital to the Lowest Bidder

The pending bills balance includes Kshs.16,632,855 payable to a contractor in respect hired to build a patients' Ward at Lari Level 4 Hospital. Ten bids were received and opened on 17 April, 2015.

However, the tender was awarded to the fifth lowest bidder at a contract sum of Kshs.192,598,773, instead of the lowest bidder who quoted Kshs.178,049,485. No reason was provided by Management for the decision which may have resulted in wasteful expenditure totalling Kshs.14,549,288.

(iv) Undisclosed Procurement Process for Legal Services

The pending bills balance includes a sum of Kshs.15,000,000 payable to a legal firm being part of the legal fees totalling Kshs.55,905,135 for legal services provided in respect of acquisition of Waruhiu Farm by the County Government.

However, documents indicating how the firm was identified and contracted were not availed for audit review. Consequently, the regularity and value for money on the legal fees payments totalling Kshs.15,000,000 and by extension, the total legal fees bill amounting to Kshs.55,905,135, could not be confirmed.

(v) Irregular Use of Restricted Procurement Method

The pending bills balance includes Kshs.10,762,488 due to a contractor, being the fourth and final payment in respect of a contract for construction of a perimeter fence and landscaping at the County Executive's offices at Red Nova. The contract price was valued at Kshs.19,759,470 and arose from a restricted tender advertised in March, 2017 and won by the lowest bidder.

However, no explanation was provided for the use of restricted tendering contrary to Section 91(3) of the Public Procurement and Asset Disposal Act, 2015. The law provides that open tendering, that allows participation of all interested persons or entities, should be the preferred method of procurement. An alternative method should only be used when certain conditions are met as provided for in Section 102 of the Act.

Consequently, the regularity and value for money on the pending bills amounting of Kshs.10,762,488 incurred on the contract, could not be confirmed.

(vi) Irregular Allowances Under Kenya Urban Support Programme (KUSP)

In addition, the pending bills balance includes a sum of Kshs.8,264,400 in respect of per diem and other allowances for Members of the County Assembly (MCAs) and some County Government officers during trips made to Naivasha and Mombasa.

However, the following anomalies were noted in regard to the payments:

- a) Management did not explain why the expenditure was charged to the Kenya Urban Support Programme (KUSP), a donor funded programme, resulting in the donor rejecting it as ineligible for the project.
- b) Payments totalling Kshs.2,373,800 for the retreat in Mombasa were not supported with an attendance register. As a result, the payees' attendance at the event could not be confirmed.
- c) Management did not explain why the County Government would organize trips for a large contingent of more than 200 delegates to far places such as Naivasha and Mombasa instead of holding the meetings in venues located in the County which was more cost effective.
- d) Expenditure totalling Kshs.2,266,400 was supported with six attendance registers for various dates and venues. Five of the registers were for meetings held at two hotels in Naivasha with 191 persons in attendance while the sixth register was for a meeting attended by 16 people at the Governor's Boardroom. No explanation was provided by Management on why the 16 persons meeting in the

Governor's Boardroom at the County Executive's offices in Kiambu Town were also paid per diem and other allowances

In view of the foregoing, the validity of the outstanding bills totalling Kshs.8,264,400 could not be confirmed.

(vii) Pending Bills on Other Irregular Contracts

During the year under review, the County Government awarded several contracts. The award winners in all the instances were the lowest bidders and their bids just fell short of Kshs.4,000,000 in every instance. The contracts were awarded to twenty three (23) companies and were in aggregate valued at Kshs.91,790,884.

According to the threshold matrix under Legal Notice 106 of the Public Procurement and Disposal (Amendment) Regulations, 2013:

- (i) Any bid for amounts below Kshs.4,000,000 should be subjected to Request for Quotations.
- (ii) Any bid for amounts between Kshs.4,000,000 up to Kshs.6,000,000 should be subjected to restricted method of procurement.
- (iii) Any bid for amounts ranging from Kshs.6,000,000 and above should be subjected to national open tender.

For each item, three quotations were issued and the same number of bidders responded which suggested that the procurement was designed in a manner to avoid use of open tender.

However, in all the instances, bids made by two bidders were adjudged not responsive because they exceeded the legal threshold of Kshs.4,000,000 for Request for Quotations Method of procurement. The lowest bidder having quoted slightly below the threshold was therefore awarded the respective contract.

Consequently, since the lowest bidder would not compete against itself, the procurement process was not competitive as envisaged by the law. Further, the propriety of the contracts was doubtful.

20.0 Irregular Imprests

The statement of assets and liabilities reflects accounts receivables - outstanding imprests balance amounting to Kshs.43,141,833 that ought to have been surrendered by 30 June, 2019. No explanation has been provided for failure to have the imprests surrendered or accounted for as required by Section 152(3) of the Public Finance Management Act, 2012.

Further, a review of imprest records revealed that, contrary to the provisions of Regulation 93(4) of the Public Finance Management (County Governments) Regulations, 2015, in several instances, officers were issued with additional imprests before they surrendered or accounted for previous amounts.

21.0 Undisclosed Allowances and Irregular Procurement of Travel Services

Other records indicated that a sum of Kshs.3,403,678 was spent on air tickets for the Governor and three Officers who travelled to the Republic of China from 21 to 30 December, 2018. The trip was designated as a benchmarking mission on water, environment and natural resources management.

The travel expenditure records further indicted that an air travel services provider was paid a sum of Kshs.1,098,985 to buy air tickets for various officers for travel to Dubai, Johannesburg and Abuja during the year under review.

In both instances the firms, appointed to provide air-tickets were not among those that Management had prequalified to provide the services during the year under review. In addition, allowances paid to the Officers as well as other supporting documents including invitation letters, approvals for the journeys, copies of passports and boarding passes were not provided for audit review. Further, reports and programmes of action emanating from the trips were not availed for audit.

Consequently, the validity and value for money on the expenditure incurred on purchase of air-tickets and travel allowances during the trips could not be confirmed.

22.0 Failure to Collect Revenue

Examination for revenue collection activities revealed several flaws that had resulted in failure to collect various revenues due:

(i) Failure to Apply Approved Rates

Data extracted from the electronic revenue management system revealed a total of eight hundred and twenty-six entries with nil revenue collection, even though the respective revenue rates were prescribed in the County Finance Act, 2018. Had the revenue collectors applied the approved rates, the County would have collected Kshs.415,000 instead of the nil receipts recorded.

Details on the transactions and the respective approved rates and charges as provided for in the Kiambu County Finance Act, 2018 are shown in the table below:

Category/Item	Number of Entries	Amount Due as per Kiambu County Finance Act (Kshs.)
Periodic Services	2	1,900
Licensing	1	500
Medical Certificate	62	500
Public Health Certificate	759	500
Tuk-tuk Per Month	2	200

In addition, the records indicated that no revenue was collected during the year in Kiambaa, Gatundu South, Githunguri and Kikuyu Sub-Counties whereas only Kshs.100 was collected in Gatundu North. Similarly, no revenue was collected on the betting control item.

The failure to apply the applicable rates may have caused loss of uncollected revenues.

(ii) Ratable Properties with no Ground Rent or Land Rates

Analysis of data maintained in the County Pro System revealed that the County had 2,577 ratable properties that were charged ground rent or land rates during the year under review. No explanation was provided by Management for the omission.

In view of insufficient records, it was not possible to confirm the amount of uncollected revenue due from the properties.

(iii) Insufficient Records on Properties

Examination of property records maintained under the County Pro System, revealed that 96,983 properties lacked information on their respective sizes (acreage), 5,573 properties had no plot numbers, and reference block numbers for 4,941 properties were missing.

In the absence of relevant parameters, the County Government lacked objective criteria to apply in charging annual ground rent and land rates. The omission may have resulted in under-collection of revenue.

23.0 Irregular Use of Imprest

Examination of imprest records indicated that imprests were not always expended or accounted for with due regard to regulations, as explained in the following instances:

23.1 Imprest Issued to Pay for Data Collection

An imprest totalling Kshs.1,302,000 was issued to an officer to pay for Kiandutu Resettlement Cluster Programme data collection activities carried out in March and April 2019. However, a detailed program and schedule for the data collection activities was not availed for audit review. Payments totalling Kshs.505,500 were made to persons not included in the approved activity budget, and a sum Kshs.589,000 was paid to Custer Committee members without explanation.

In view of these anomalies, the validity and propriety of the expenditure totalling Kshs.1,522,000 reported to have been incurred on the resettlement program has not been confirmed.

23.2 Failure to Keep Proper Records on Imprests Used at for Nachu Settlement Scheme

A sum of Kshs.1,700,000 was issued to an officer to fund public participation activities for Nachu Settlement Scheme and verify land owners affected by the Standard Gauge Railway (SGR) line at Nachu, Ndeiya and Karai areas. However, the following anomalies were noted in respect to the expenditure:

- (i) Reports on the two activities and signed attendance lists were not presented for audit review.
- (ii) Out of the imprests totalling Kshs.1,700,000 issued, Kshs.709,600 was not accounted for with receipts, invoices or signed lists of the payees.
- (iii) The tents and the public address system used during the activities were hired through direct procurement at a cost of Kshs.380,000.No explanation was provided by Management for failure to issue Requests for Quotations to ensure competitive pricing for the supplies.

- (iv) Officers from the National Land Commission were reportedly paid allowances totalling Kshs.52,000 but no records were made available to confirm the payment.

In view of these anomalies, the validity and propriety of the expenditure could not be confirmed.

23.3 Irregular Imprests

Records availed for audit indicated that an imprest amounting to Kshs.1,152,000 was issued to an Officer to facilitate Land Rates Open Days in various sub-counties in February, 2018. However, review of the respective expenditure records revealed the following anomalies:

- (i) The Officers who carried out the exercise were each paid allowances ranging between Kshs.2,000 or Kshs.5,000 per day which amounted to Kshs.312,000 in aggregate. However, the rates applied were arbitrary and were not based on recommendations issued by the Salaries and Remuneration Commission.
- (ii) Three officers from the Department of Lands who were paid allowances for attending the Open Days held from 4 to 19 February, 2019 were, in addition, paid night out allowances for six days from 12 to 17 February, 2019 for attending a concurrent retreat on the Affordable Housing Project. The anomaly resulted in unexplained payments totalling Kshs.350,600 .
- (iii) A sum of Kshs.661,200 was spent on purchase of tents and chairs supplied by a vendor who was not prequalified to supply the items. Further, an over-payment of Kshs.59,500 was incurred on hire of tents and chairs.

In view of these anomalies, the propriety and validity of payments totalling Kshs.1,152,000 incurred through imprests issued to the Officers could not be confirmed.

24.0 Rentals of Produced Assets

Included in the expenditure for use of goods and services totalling Kshs.1,813,717,265 and as disclosed in Note 12 to the financial statements, is a sum of Kshs.9,359,023 incurred on rentals of produced assets, which include rent paid in relation to leased offices in Kikuyu Town. However, a review of expenditure records revealed the following anomalies:

24.1 Unconfirmed Validity of Rental Expenditure at Kikuyu

A sum of Kshs.1,052,000 was spent during the year under review on a tenancy contract for lease of offices for Kikuyu Sub-County Deputy Commissioner pending construction of a new office. However, procurement records for the lease were not provided for audit review. As a result, the validity and propriety of the expenditure totalling Kshs.1,052,000 spent on the rental contract could not be confirmed.

24.2 Over-Expenditure on Rental Space at Jooi Centre

During the year under review, Management entered into an agreement with a landlord for lease of office space at Jooi Centre in Kikuyu Town for a period of one year from 5 March, 2018. The monthly rent payable was Kshs.65,000. The records indicated that the lease was extended for a further one year up to 6 March, 2020. However, the expenditure in respect of the lease included payment of an additional Kshs.10,000 to the

landlord each month. No explanation was provided in the contract for the additional expenditure. The overpayment resulted in loss of public funds totalling to Kshs.240,000 over the two-year contract period.

25.0 Grounded Motor Vehicles

Records availed for audit indicated that a total of 101 vehicles owned by the County Government had been grounded for periods ranging from three months to over one year at various garages. One of the grounded motorcycles was an ambulance, registration number 22CG 304A, allocated to Gachororo Health Centre, in Juja Sub-County. It was grounded in June, 2019 after its ignition keys were repossessed by the Company that supplied it. No explanation was provided by Management for the seizure of the keys by the Company.

The grounded vehicles did not provide any service to the residents of the County for the periods they were not in use. Further, there was risk that their values would reduce steeply due to the adverse storage conditions they were kept under.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1.0 Lack of Risk Management Policy

The County Government did not have a documented risk management policy and strategy during the year under review. Therefore, the risks faced by the County Executive were not identified or addressed in an objective and sustainable way. As a result, Management was not well prepared to mitigate against events that could have unfavorable impacts on the County Executive.

2.0 Poor Filing and Unsafe Custody of Payment Vouchers

Control and custody of payment vouchers at the County Treasury was inadequate as some of the vouchers were kept by respective departments and were not filed in an orderly way.

As a result, the risk of loss of important financial information was high.

3.0 Internal Control Weaknesses in County Revenue Management System

3.1 Inadequate Segregation of Duties and Responsibilities

Audit review of internal controls for the County ZIZI and County Pro revenue management systems revealed the following weaknesses and exceptions:

- (i) Void transactions totalling Kshs.431,018 were requested and approved by one user in the ZIZI system.
- (ii) Similarly, records in respect of the County Pro system contained credit and debit in database adjustment transactions totalling Kshs.42,504,849 and Kshs.7,179,722, respectively which were updated and approved by the same user.

Without proper allocation of use-rights, transactions in the system may be edited or new ones entered which could result in irregular transactions and loss of revenue.

In view of these anomalies, the integrity of the data and information in the revenue management system may have been compromised.

3.2 Abuse of User Rights - Unauthorized Changes in the Payroll

A review of data extracted from the County Payroll revealed that eighty-three officers made changes in the electronic payroll even though they were not authorized to edit the system.

Further, forty-five accounts were edited outside of office hours without approval of the Head of the ICT department. In view of these anomalies, the system's security and data integrity may have been compromised and may therefore, not be reliable.

Management was yet to implement sufficient internal controls to ensure the integrity of system information, among other standards required in Chapter 15, Section (4) of the National Information and Communications Technology (ICT) Policy.

No explanation was provided by Management for these irregular acts that put the County Executive's data and resources at risk of corruption and loss.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the ability of the County Executive to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to dissolve the County Executive or cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015, and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material

weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the County Executive to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County Executive to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the County Executive to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

10 May, 2021

APPENDICES

Appendix I - Kenya Urban Support Programme

	Audit Finding	Description
1.	Irregular Accounting for Movable Idle Assets	<p>Disclosed in Note 17 to the financial statements under acquisition of assets are payments totalling Kshs.358,639,384 spent on construction and civil works. The balance includes Kshs.51,900,000 spent on purchase of six backhoe tractors for use in Karuri, Kiambu, Kikuyu, Thika, Ruiru and Limuru Municipalities. The tender was awarded to a vendor at a contract sum of Kshs.51,900,000.</p> <p>However, the tender documents indicated that the firm was awarded all marks due at the technical evaluation stage of the tendering process despite not having submitted bank statements required in the terms and conditions of the tender. In addition, some of the firm's documents required for the bid, such as certificate of incorporation, tax compliance certificate and Pin Certificate were not certified and as a result, their validity could not be confirmed.</p> <p>In addition, the expenditure totalling Kshs.51,900,000 was erroneously charged to construction and civil works instead of purchase of specialized plant, equipment and machinery. Further, the backhoes were not registered with the authorities as the property of the County Government of Kiambu.</p> <p>Management, therefore, breached the law in procuring and accounting for the moveable assets. In addition, the true and fair view of the financial statements is distorted as the purchases were charged to an incorrect account. Further, ownership and custody of the machinery could not be confirmed as the assets were not registered as the property of the County Government upon delivery</p>
2.	Anomalies in Procurement of Kiambaa Road Contract	<p>Included in the expenditure totalling Kshs.358,639,384 spent on construction and civil works during the year under review is Kshs.5,178,905 paid to a firm to upgrade one (1) kilometer of Kiambaa Road in Limuru Municipality to bitumen standards. The records availed for audit indicated that the contract was valued at Kshs.51,789,044. One of the mandatory requirements for award of the tender was submission of certified and stamped documents during the tendering process. However, documents serialized from Nos.585 to 603 in the Bills of Quantities (BQs) submitted by the winning bidder were not stamped.</p> <p>In the absence of certified tender documents, it was not possible to confirm that the tender was awarded fairly and competitively as required under Section 70 (3) of the Public Procurement and Asset Disposal Act, 2015.</p>

	Audit Finding	Description
3.	Upgrading of Kanjiku – King’othua Road to Bitumen Standards	<p>Other records indicated that Kshs.11,322,799 was paid to a firm for the proposed upgrading of the three(3km) Kanjiku – King’othua Road (Karuri Municipality) to bitumen standards. The tender was awarded at a contact sum of Kshs.113,227,999.</p> <p>Among the conditions set for the tender was that all bidding documents be certified by a Commissioner of Oaths. However, some of the documents (Serial Nos.260 – 580) attached to the winning bid were not certified as required under the contract terms. No explanation was provided for failure to adhere to the contract terms.</p> <p>In view of the omission, the validity of the winning bid could not be confirmed.</p>
4.	Proposed Construction of Two-Storey Fire Station in Karuri Municipality	<p>A sum Kshs.12,600,431 was paid to a contractor as a first payment for the proposed construction of a fire station in Karuri under a tender awarded at a contract sum of Kshs.63,430,800.</p> <p>However, examination of the tender documents revealed that the bid documents submitted by the firm were not serialized and paginated as required. In addition, although the conditions of the tender required all documents to be certified by a commissioner of oaths, the winning bidder’s documents were not certified. These included the tender form from pages 1 to 30 and the motor vehicle log book. As a result, the validity of the bid placed by the tender winner could not be confirmed.</p>
5.	Proposed Upgrading of Mugo Kibiru Road-Thika Municipality	<p>Records examined indicated that Kshs.13,810,005 was paid to a firm for the proposed upgrading of the two-kilometer Mugo Kibiru Road in Thika Municipality to bitumen standard. The firm was awarded the contract having bid the lowest price at Kshs.79,508,333.</p> <p>However, the bid bond submitted by the bidder was issued by a local bank in favor of a different firm. No explanation was provided by Management for the anomaly.</p> <p>Further, contrary to the requirements set for the bid, the certificate (CR 12) on ownership of the company was issued by the Registrar of Companies was more than six months old therefore out of date at the time of the bid. In addition, although there was a requirement that all documents be certified by a Commissioner of Oaths, only professional and other certificates on the firm’s owners and employees were certified. Therefore, Management should have disqualified the bid.</p> <p>In view of these anomalies, the regularity of the expenditures could not be confirmed.</p>
6.	Proposed Ruiru Town Street Improvement Project	<p>Other records examined indicated that a sum of Kshs.10,085,197 was paid to a firm for landscaping, beautification and provision of street furniture at selected sites in Ruiru Municipality. The firm was awarded the tender at a contract sum of Kshs.25,952,230. However, review of the tender documents revealed that only one officer processed and evaluated the bids contrary to Section 78(1) of the Public Procurement and Assets Disposal Act, 2015 that requires Accounting Officers to appoint a Tender Committee with at least three members.</p> <p>Management therefore breached the law in processing the bids and the award was therefore irregular.</p>

	Audit Finding	Description
7.	Proposed Upgrading of Wambaa-Wamakima Road to Bitumen Standards	<p>Included in the expenditure totalling Kshs.358,639,384 spent on construction and civil works was a sum of Kshs.14,080,832 paid to a contractor for upgrading of Wambaa-Wamakima Road to bitumen standards. The contract was awarded at a sum of Kshs.140,808,323 whereas the approved budget for the works amounted to Kshs.120,000,000 resulting in a funding deficit of Kshs.20,808,323. As a result, the award contravened Regulation 50(2) of the Public Finance Management (County Governments) Regulations, 2015 which requires expenditure commitments for goods and services to be limited to allocations and allotments from approved budgets.</p> <p>As result of these shortcomings, the regularity and value for money for the cited expenditures incurred under the Kenya Devolution Support Program could not be confirmed.</p>

Appendix II - Construction of Buildings

	Audit Finding	Description
1.	Delayed Completion of Juja Sub-County Offices	<p>Expenditure records indicated that payments totalling Kshs.250,511,251 were made during the year for construction of buildings, out of which Kshs.25,355,888 was spent on Juja Sub-County offices. The tender was awarded to a contractor on 16 June, 2015 at Kshs.49,459,500 and the works set for completion in forty calendar weeks to March, 2015.</p> <p>However, an audit inspection carried out on 1 October, 2019 confirmed that the works had not been completed. This was 220 weeks, or four years and three months, after the contract was signed. In addition, the contractor was not on site and the works appeared to have stalled.</p> <p>In addition, the audit revealed following unsatisfactory matters:</p> <ul style="list-style-type: none"> (i) The scope of the works was varied to include construction of one additional floor and as a result, the costs rose by 34% of the original contract amount. The variation was irregular since Section 139(6) of the Public Procurement and Asset Disposal Act, 2015, limits such contract variations to 25% of the original cost, unless tendered for separately. (ii) The approval and the Bills of Quantities(BQs) for the additional works were not availed for audit review. (iii) Only the ground floor had been completed and occupied at the time of the audit. Several works, including, ramps and staircases for the first and second floors were still pending. <p>No adequate explanation was provided by Management for the delay in completion of the project and the change in the scope of the works. As a result of the delay, the residents of Juja Sub-County have not received the services the building was intended to provide.</p>
2.	Delayed Completion of a Three-Storey Medical Ward Block at Tigoni Sub-County Hospital	<p>Expenditure records also indicated that payments totalling Kshs.18,729,694 were made to a contractor hired to build a three-storey Medical Ward Block at Tigoni Sub-County Hospital. The tender was awarded to the contractor on 15 May, 2015 at Kshs.160,740,400.</p> <p>The contract agreement dated 15 June, 2015 had provided that the works were to start immediately and be completed in one hundred and four (104) calendar weeks to 15 June, 2017. However, audit verification of the project in October, 2019, indicated that the building was 85% complete. This was way behind schedule since 224 weeks, or 215% of the contract period, had lapsed.</p> <p>Further, the following unsatisfactory matters were noted in relation to execution of the works:</p> <ul style="list-style-type: none"> (i) The ward built had four instead of the three floors contracted for. However, no evidence was availed for audit to confirm whether a competent authority had approved variations in the scope of works. Further, the Bills of Quantities(BQs) for the additional works were not availed for audit. (ii) Fittings, finishes, staircases, ramps and lifts were yet to be done.

	Audit Finding	Description
		<p>(iii) No evidence was availed for audit to confirm whether a competent authority had approved variations in the scope of works. Further, the Bills of Quantities for the additional works were not availed for audit.</p> <p>(iv) The nature of works paid and outstanding was not disclosed by Management.</p> <p>(v) At the time of the audit inspection, the contractor had abandoned the project site reportedly due to unpaid works certificates totalling Kshs.22,191,880.</p> <p>Management did not provide adequate reasons for the failure to complete the project in due time. As a result of the delay, no value for money has been obtained from public funds totalling Kshs.18,729,694 spent on the project.</p>
3.	Delayed Completion of a Four-Storey Medical Ward Block at Lari Sub-County Hospital	<p>Expenditure records examined indicated that a sum of Kshs.5,155,137 was, paid to a contractor hired to build a four-storey Medical Ward Block at Lari Sub-County Hospital during the year under review. The payment was in addition to Kshs.44,480,635 paid in 2017/2018 and prior years and therefore aggregate expenditure on the contract as at 30 June, 2019 amounted to Kshs.49,635,772.</p> <p>The firm was awarded the contract on 15 May, 2015 at a sum of Kshs.192,598,773 and the works were due for completion after 104 calendar weeks from 15 June, 2015. However, as at 3 October, 2019, more than two years after the lapse of the contract period, the project had not been completed and further, the contractor had abandoned the site. No evidence was provided by Management to confirm that the contract period had been extended.</p> <p>Further, audit verification of the works confirmed that the contractor had erected a three-storey building instead of the four-storey one contracted for. Roofing, ramps, staircases railing works, windows, doors, electrical works, floor finishes and mechanical works such as fitting of lifts and several other works were incomplete. In addition, some of the column beams appeared to be sagging, which suggested that the works were not executed well.</p> <p>No plausible explanation was provided by Management for the delay in completing the project and the unsatisfactory quality of the work done. Consequently, the residents of Lari Sub-County have not obtained any value from the sum of Kshs.9,635,772 spent on the project.</p>
4.	Construction of Two-Wing Block at Bibirioni Level- 4 Hospital	<p>Records availed for audit indicated that Management paid Kshs.68,831,788 in respect to construction of a building at Bibirioni Level - 4 Hospital. The contract was awarded on March 22, 2018 at a contract sum of Kshs.285,999,964 for a contract period of 102 weeks to March 2020.</p> <p>Audit verification of the works in October, 2019 indicated that the construction of the two-wing hospital building was in progress. The main structure had been done up to the second floor on one wing and up to the first floor on the other. The original works were varied after an additional basement floor, which was not in the original plan was built. In addition, relevant approvals, including tender documents, bills of quantities and cost estimates for the basement were not availed for audit review.</p> <p>Further, the variation was executed in the first twelve months from the date the contract was signed contrary to Section 139(4) of the Public Procurement and Asset Disposal Act, 2015, which provides that any variation of a contract shall only be considered after twelve months from the date the original contract was signed.</p>

	Audit Finding	Description
		<p>Records examined indicated that 40% of the works had been done. However, no explanation was provided for the additional scope of works. Further, the contractor had, on August 02, 2019, issued a 28-day notice of suspension of the works and thereafter slowed down the pace of work citing unpaid certified works valued at Kshs.42,328,249.26. In view of this situation, it is likely that the completion of the project will be delayed further.</p> <p>As a result, of the foregoing, the regularity and value for money on the expenditure totalling Kshs.68,831,788.40 incurred on the project as at 30 June, 2019 has not been confirmed.</p>
5.	Proposed Construction of a Hospital Block at Githunguri Level-4 Hospital	<p>A sum of Kshs.71,429,027 was spent on an ongoing construction of a building at Githunguri Level 4 Hospital. The contract was awarded to the contractor on 22 March, 2018 at Kshs.676,000,000 for execution in 102 weeks to March, 2020.</p> <p>Audit inspection of the project in October, 2019 indicated that the works were in progress and the main building had been put up to five floors. However, the contractor had scaled down the pace of work citing delayed payment of work certificates. Out of nine (9) works certificates valued at Kshs.185,873,270.55 raised by the contractor, Kshs.177,120,734 had been settled, including Kshs.71,429,027 paid during the year under review. Therefore, only Kshs.8,752,536 remained unpaid.</p> <p>The contractor had charged Kshs.1,716,139 being interest on delayed payments for Certificate No. 9. The interest charges could have been avoided had the certificates been paid when it fell due.</p>
6.	Delayed Completion of Twin ECDE Classroom at Kimangu	<p>Included in the expenditure totalling Kshs.250,511,251 incurred on construction of buildings is a sum of Kshs.1,534,150 paid to a contractor to build an Early Childhood Development Education (ECDE) classroom at Kamangu. The contract was valued at Kshs.3,844,550 and was awarded on 25 April, 2018.</p> <p>Records availed for audit indicated that the contract period lapsed in April, 2019. However, an audit inspection carried out in October, 2019 noted that the framework of the twin classroom building had been built up to lintel level while roofing and finishing works were yet to start. The contractor had abandoned the site despite having been paid Kshs.1,534,150 for the first works certificate.</p> <p>Consequently, no value for money was obtained on the sum of Kshs.1,534,150 spent on the project.</p>
7.	Delayed Completion of Two ECDE Classrooms and Ablution Block at Utugi ECDE Centre	<p>Records availed for audit indicated that a sum of Kshs.2,630,630 was paid for construction of two ECDE classrooms and an ablution block at Utugi ECDE Centre. The tender was awarded to the contractor on 10 June, 2016 at a contract sum of Kshs.3,670,845.</p> <p>The works were scheduled for completion in eight weeks. However, an audit inspection carried out on in October, 2019, about three years after the lapse of the contract period revealed that the two classrooms and an ablution block were done up to roofing level only. Painting works, fitting of window panes, ceiling finishes, floor finishes, electrical works and gutters for the buildings were not done and the contractor was not on site.</p> <p>Consequently, value for money on the expenditure amounting to Kshs.2,630,630 spent on the project during the year could not be confirmed.</p>

	Audit Finding	Description																									
8.	Additional Project Costs	<p>The County Government entered into various contracts for construction of markets and buildings as indicated in the schedule below. However, examination of the respective expenditure records revealed that the costs of the contracts' increased significantly after the construction work began. The increase in costs resulted from changes in scope of works, delayed processing and approval of certificates and penalties charged by contractors.</p> <table border="1" data-bbox="584 465 1474 943"> <thead> <tr> <th data-bbox="584 506 783 568">Contract Details</th> <th data-bbox="815 465 991 568">Original Contract Sum (Kshs.)</th> <th data-bbox="1007 465 1150 568">Total Payments (Kshs.)</th> <th data-bbox="1166 465 1310 568">Additional Costs (Kshs.)</th> <th data-bbox="1326 465 1474 568">Percentage Increase %</th> </tr> </thead> <tbody> <tr> <td data-bbox="584 568 783 658">Construction of Kamwangi Market Phase 1</td> <td data-bbox="815 568 991 602">28,157,525</td> <td data-bbox="1007 568 1150 602">33,696,745</td> <td data-bbox="1166 568 1310 602">5,539,220</td> <td data-bbox="1326 568 1474 602">20</td> </tr> <tr> <td data-bbox="584 680 783 770">Construction of Limuru Hawkers Market</td> <td data-bbox="815 680 991 714">14,328,296</td> <td data-bbox="1007 680 1150 714">17,893,735</td> <td data-bbox="1166 680 1310 714">3,565,439</td> <td data-bbox="1326 680 1474 714">25</td> </tr> <tr> <td data-bbox="584 792 783 882">Construction of Investor Enabling Centre</td> <td data-bbox="815 792 991 826">6,926,600</td> <td data-bbox="1007 792 1150 826">8,657,503</td> <td data-bbox="1166 792 1310 826">1,730,903</td> <td data-bbox="1326 792 1474 826">25</td> </tr> <tr> <td data-bbox="584 904 783 938">Total</td> <td data-bbox="815 904 991 938">49,412,421</td> <td data-bbox="1007 904 1150 938">60,247,983</td> <td data-bbox="1166 904 1310 938">10,835,562</td> <td data-bbox="1326 904 1474 938"></td> </tr> </tbody> </table> <p>However, contrary to Section 139 (1) of the Public Procurement and Disposal Act 2015, approvals for the changes were not obtained from the Tender Award Committee. Further, there were no records indicating that the Accounting Officer prepared and submitted the quarterly reports of the amended or varied contracts to the Public Procurement Oversight Authority as required by Section 139(5) of the Public Procurement and Asset Disposal Act, 2015.</p> <p>From the foregoing, it has not been possible to confirm that the County Government obtained value for money on the expenditure totalling Kshs.10,835,562 incurred on the projects.</p>	Contract Details	Original Contract Sum (Kshs.)	Total Payments (Kshs.)	Additional Costs (Kshs.)	Percentage Increase %	Construction of Kamwangi Market Phase 1	28,157,525	33,696,745	5,539,220	20	Construction of Limuru Hawkers Market	14,328,296	17,893,735	3,565,439	25	Construction of Investor Enabling Centre	6,926,600	8,657,503	1,730,903	25	Total	49,412,421	60,247,983	10,835,562	
Contract Details	Original Contract Sum (Kshs.)	Total Payments (Kshs.)	Additional Costs (Kshs.)	Percentage Increase %																							
Construction of Kamwangi Market Phase 1	28,157,525	33,696,745	5,539,220	20																							
Construction of Limuru Hawkers Market	14,328,296	17,893,735	3,565,439	25																							
Construction of Investor Enabling Centre	6,926,600	8,657,503	1,730,903	25																							
Total	49,412,421	60,247,983	10,835,562																								
9.	Delayed Construction of Limuru Market	<p>Other records indicated that Kshs.3,680,077 was paid to a contractor for construction of Limuru Market during the year under review. The contractor was awarded the contract on 24 August, 2016 at Kshs.45,168,350 and the works were to be completed in 18 weeks to January 2017.</p> <p>Further, project records indicated that during the financial year 2017/2018, the contractor submitted a claim for an additional payment of Kshs.15,215,919 being Kshs.8,437,770 for interest on delayed payments, penalties for under-utilized equipment and labour and a further Kshs.6,778,149 for completed works and retention money. The reasons for the claim amounting to Kshs.15,165,919 and for the delay in completion of the works, were not clear.</p> <p>Further, since the contract was terminated and all outstanding dues paid, a new tender for completion of the market ought to have been floated as provided for in the Public Procurement and Asset Disposal Act, 2015. However, on 14 September, 2018, the contractor was instructed to execute the project as originally contracted, although no date was set for its completion. An audit inspection of the works in October, 2019 confirmed that construction work was ongoing.</p> <p>Records availed for audit indicated that the cost of the project, as deduced from amounts paid and due to the contractor, exceeded the original contract sum by Kshs.11,981,361.</p>																									

	Audit Finding	Description
		No adequate explanation was provided by Management for the the delay in completion of the project and rise in its costs. Consequently, tax payers may not have obtained value for money on the expenditure totalling Kshs.57,149,711 incurred on the project.

Appendix III – Refurbishment of Buildings

	Audit Finding	Description
1.	Anomalies in Execution of Works at Kiambu Level 5 Hospital	<p>Expenditure records indicated that payments amounting to Kshs.4,238,356 and Kshs.3,700,020 were incurred on refurbishment of Nyayo Wards Male Wing Phase I and Phase II at Kiambu Level 5 Hospital, respectively. The respective tenders were awarded to two construction companies on 28 January, 2016 with the works set to be completed in four months.</p> <p>Phase I of the project covered the Male Ward whereas Phase II was for the Ward’s Ablution Block. However, the works were not completed within the contract period, and the project delayed up to March 21, 2018, when certificates for practical completion were issued. No explanation was provided for the delays.</p> <p>Further, an audit inspection noted that although the ablution block was located within the Male Ward, the bills of quantities for both Phase I and II included costs on roofing of the ablution block and repair of washrooms. Besides, a water tank provided for in the bills of quantities at a cost of Kshs.200,000 was not installed. Further, the lockers fitted in the Ward were smaller than the 1x1.5 Metre size specified in the Bills of Quantities. Similarly, the changing rooms were not fitted with lockable shelves.</p> <p>In view of these anomalies, value for money and validity and propriety of the expenditure totalling Kshs.7,938,376.20 spent on refurbishment of Nyayo Wards at Kiambu Level-5 Hospital could not be confirmed.</p>
2.	Stalled Construction of Office Space	<p>Other records indicated that Kshs.24,225,662 was paid for construction of a new office block at the offices of the County Government at Red Nova Building. The contract was awarded on May, 8 2018 at a contract sum of Kshs.80,999,910 with the works expected to be completed in six months.</p> <p>Audit verification carried out in October, 2019 indicated that the works were behind schedule and the contractor had abandoned the site due to delay in payment for certified works.</p> <p>In the circumstance, no value has been obtained on the expenditure totalling Kshs.24,225,662.65 incurred on the refurbishment of the office block.</p>
3.	Delay and Anomalies in Refurbishment of Council Depot Flats	<p>Other records indicated that a tender for refurbishment of Council Depots Flats was awarded to a contractor on November 7, 2017 at a total cost of Kshs.52,763,236 comprised of Kshs.26,946,456 for Block A and Kshs.25,816,780 for Block B. Each Block comprised of 40 units. During the year under review, payments to the contractor totaled Kshs.15,138,537.</p> <p>An audit inspection carried out in November, 2019 indicated that the works were incomplete as fitting of doors, windows, tiles and several other items, as well as painting, were yet to be done. However, several works that were not in the original BQs, including installation of a water storage tank and fire-fighting system, were executed, even as a provision to connect the building to a sewer line was ignored.</p>

		<p>Information on the basis and costs of the additional works, including their costs, were not presented for audit review.</p> <p>No explanation was provided for these anomalies. Consequently, the project has not been executed as contracted and there is no assurance that value for money will be attained on the expenditure totalling Kshs.52,763, 236 expected to be incurred on the Project.</p>
4.	Anomalies in Refurbishment of Bahati Early Childhood Development Centre (ECDE)	<p>A sum of Kshs.3,266,802.70 was paid to a contractor for refurbishment works and construction of a boundary wall at Bahati ECDE under a contract valued at Kshs.3,992,300.</p> <p>However, an audit inspection carried out in October, 2019 indicated that a protective grill fitted at the front of the classrooms had been vandalized. Further, the Bills of Quantities (BQs) for the project had provided for refurbishment, complete removal and disposal of the asbestos roof and its replacement with iron sheets. However, part of the asbestos was salvaged and used to cover a wall on one side of the classrooms. It has not been explained why the asbestos, which is considered hazardous to human health, was not disposed-off as prescribed in the contract. Low quality workmanship was also evident on the ceiling of the ablution block and veranda floor of the classrooms. In addition, a water tank estimated to cost Kshs.70,000 was not supplied.</p> <p>In view of the foregoing, value for money on the sum of Kshs.3,266,802 spent on the refurbishment works could not be confirmed.</p>
		<p>14.5 Stalled Construction of Kabathi ECDE</p> <p>A sum of Kshs.1,214,440 was in April, 2018, paid to a contractor for construction of twin ECDE classrooms at Kabathi under a contract valued at Kshs.3,844,550. The contract was to be executed in six months to September, 2018. However, a review of the project in October, 2019 revealed that the works were incomplete having stalled at lintel level. The contractor reportedly abandoned the site after receiving the first payment amounting to Kshs.1,214,440.</p> <p>In view of the delay in completing the project, the expenditure amounting to Kshs.1,214,440 has not yielded any value and further, the services that the ECDE Centre was intended to provide to the residents of Kabathi have not been realized.</p>

Appendix IV - Construction of Roads

	Audit Finding	Description
1.	<p>Anomalies in Contracts for Construction of Five (5) Major Roads in Kiambu County</p>	<p>A review of records on acquisition of assets expenditure indicated that the Management separately entered into contracts with five companies for construction of five roads at contract sums totalling Kshs.860,121,178 following a public advertisement made on 29 October, 2018. The bids were opened on 26 November, 2018 and the tender evaluation report issued in December, 2018. Although the construction work had not started at the time of audit in December, 2019, the following anomalies were noted in respect to the contracts:</p> <ul style="list-style-type: none"> (i) Contrary to Regulation 50(2) of the Public Finance Management (County Governments) Regulations, 2015, no funds were provided for the project in the County Executive's budget for the year under review. (ii) Letters of appointment for the members of the Tender Opening and Evaluation Committee were not availed for audit. Further, no evidence was availed to indicate whether letters of regret were issued to the losing bidders, as required by public procurement regulations. (iii) The Tender Evaluation Report indicated that one of the bidders did not provide sufficient financial guarantees; did not have experience in such works; lacked adequate equipment to execute the project; and did not qualify for financial evaluation. In spite of these shortcomings, the contractor was awarded one of the contracts valued at Kshs.209,015,500. <p>From the foregoing, Management breached the public procurement law and regulations by appointing unqualified contractors for the road works. There is therefore risk that the works will not be executed at the cost, quality and time expected.</p>
2.	<p>Irregularities in Award of Tenders for County Roads</p>	<p>Records availed for audit indicated that tenders for road works totalling Kshs.224,406,907 were processed, opened and evaluated by officers who were not appointed in writing by the Accounting Officer as required by Section 46 of the Public Procurement and Asset Disposal Act, 2015.</p> <p>Further, a review of Request for Quotations processed during the year revealed various inconsistencies. For example, although the Quotation and Evaluation Committee minutes indicated that the quotations were opened and evaluated by three members as required by the public procurement law and regulations, an audit review of the underlying records revealed that Quotations for road works contracts valued at Kshs.66,945,692 were opened by one or two persons only, contrary to Section 46 (4) of the Public Procurement and Asset Disposal Act, 2015 which, requires between three and five members to advise on the evaluation of the tender documents.</p> <p>Further, examination of procurement documents revealed that all the Request for Quotations (RFQ) for construction of roads attracted only three bidders. However, the criteria used to select the bidders from among the prequalified list of contractors was not disclosed.</p> <p>Further, the following irregularities were noted in respect to the procurement:</p>

	Audit Finding	Description
		<p>(i) Records made available for audit indicated that at least two of the three companies issued with quotations were related as they shared directors, postal addresses, official stamps, or all three.</p> <p>(ii) In several instances, Confidential Business Questionnaires (CBQ) required to be completed by the bidder companies were either partially filled or not filled at all. Further, the handwriting and ink color used in all the questionnaires were similar, which suggested that the questionnaires may have been completed by the same person.</p> <p>(iii) In addition, the signatures appended by some members of the Evaluation Committees were not consistent with their specimen signatures in their personal files. In several instances, the signatories were casual employees in the County Executive.</p> <p>(iv) Evidence gathered revealed possible manipulation of records as two officers whose names and signatures were appended in tender evaluation minutes denied any knowledge and participation in processing the tender.</p> <p>(v) The bid documents indicated that in several instances, two out of the three companies that submitted bids, quoted prices slightly above Kshs.4,000,000 while the one awarded the contract quoted between Kshs.3,000,000 and Kshs.3,999,999 and was therefore considered the lowest bidder. The anomaly suggested that the bidders colluded in submitting their bids, and reinforced suspicion that the firms were related. The Tender Evaluation Committee should have disqualified the two bidders who quoted Kshs.4,000,000 or more as being non-responsive since their bids exceeded the threshold of Kshs.4,000,000 set in law for Requests for Quotation method of procurement. Management should thereafter have called for a new bidding process.</p> <p>In view of the foregoing, the regularity and value for money on expenditure incurred on roads contracts totalling Kshs.182,381,803 could not be confirmed.</p>
3.	Irregular Award of Tender for Construction of a Kenya Rural Roads Authority (KeRRA) Road	<p>Procurement records examined indicated that in October, 2018, the County Executive advertised for the construction of Juja Farm Road (Mathito-ini) to bitumen standard following which three bidders responded.</p> <p>Evaluation minutes indicated that the contract was awarded to the second-lowest bidder at a contract sum of Kshs.277,100,294. No explanation was provided for the decision to appoint the second-lowest bidder instead of the lowest bidder whose bid amounted to Kshs.253,741,705. As a result, the County Government overspent on the contract by Kshs.23,358,589 being the difference between the two bids. Further, in spite of the contract, no funds had been budgeted for construction of the road during the year under review. Therefore, it was not clear how the project would be funded.</p> <p>Soon after the tender was awarded, one of the bidding companies filed a complaint with Management and claimed they were unfairly disqualified from the tender by the Tender Evaluation Committee. Consequently, the County Government, cancelled the award on February 14, 2019. The appointed contractor however, contested the cancellation on grounds that he had signed an Acceptance Letter on 28 January, 2019.</p>

	Audit Finding	Description										
		<p>On March 13, 2019, Management notified the Public Procurement Regulatory Authority of the termination of the contract. The reason provided for the cancellation was that besides the complaint from one of the bidders, the County Executive had since been made aware that the road was classified under Class C and was , therefore, under the jurisdiction of Kenya Rural Roads Authority (KeRRA).</p> <p>Subsequently, the Public Procurement Regulatory Authority notified the County Government that in the view of the issues raised by contractor with the Authority, cancellation of the award was irregular as the process did not comply with Section 63(1) of the Public Procurement and Asset Disposal Act, 2015 on termination of procurement proceedings and cancellation of contracts.</p> <p>The Authority directed the County Government to comply with Section 135(2) of the Act and sign a contract with the contractor. However, at the time of the audit in October 2019, no evidence was availed to confirm that the contract had been signed.</p> <p>Available information indicated that on 28 February, 2019, the County Executive advertised for construction of nine roads to bitumen standard, including Juja Farm (Mathito-ini) Road. The tender was awarded at a contract sum of Kshs.278,011,487.</p> <p>The records further indicated that the Kenya Rural Roads Authority (KeRRA) similarly advertised the impending construction of the same road by requesting for public participation and environmental and social impact assessment study on the impending works.</p> <p>No explanation was provided by Management why the County Executive advertised for construction of a road that was by law assigned to KeRRA. Other records indicated that the County Executive launched the construction of the road on 10 May, 2019.</p> <p>By undertaking works on a road that the National Government was responsible for, the County Executive breached the Constitution. Further, in view of the irregular manner in which the procurement process was managed, the County Executive may incur losses on the project.</p>										
4.	Award of Tenders for Construction of Roads Without Budgetary Allocation	<p>Records availed for audit indicated that the County Executive on 29 October, 2018 advertised for construction of nine major roads in the County. The tenders were duly processed and an evaluation report issued on 21 December, 2018. However, none of the bidders was awarded any of the tenders.</p> <p>On February 28, 2019, the County Government re-advertised the tenders for the nine roads and an additional two others. The two roads were to be constructed to bitumen standard. After evaluation, the tenders were awarded to various contractors at contract sums totalling Kshs.2,507,475,249 (Kshs.1,981,592,637) for the first nine roads and Kshs.525,882,612 for the additional two, as shown below:</p> <table border="1" data-bbox="608 1816 1474 2042"> <thead> <tr> <th data-bbox="608 1816 1169 1854">Project</th> <th data-bbox="1169 1816 1474 1854">Amount (Kshs.)</th> </tr> </thead> <tbody> <tr> <td data-bbox="608 1854 1169 1921">Proposed Construction of Rioki - Karia - Ikinu Access Road</td> <td data-bbox="1169 1854 1474 1921">297,211,691.00</td> </tr> <tr> <td data-bbox="608 1921 1169 1960">Juja Farm Road (Mathito-ini)</td> <td data-bbox="1169 1921 1474 1960">278,011,487.00</td> </tr> <tr> <td data-bbox="608 1960 1169 1998">Toll Station Road</td> <td data-bbox="1169 1960 1474 1998">118,324,969.44</td> </tr> <tr> <td data-bbox="608 1998 1169 2042">Gwa Kairu - Matangini Road</td> <td data-bbox="1169 1998 1474 2042">181,054,210.56</td> </tr> </tbody> </table>	Project	Amount (Kshs.)	Proposed Construction of Rioki - Karia - Ikinu Access Road	297,211,691.00	Juja Farm Road (Mathito-ini)	278,011,487.00	Toll Station Road	118,324,969.44	Gwa Kairu - Matangini Road	181,054,210.56
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		<table border="1" data-bbox="611 248 1461 685"> <tr> <td>Gachie - Karura- Gacharage Road</td> <td>134,063,433.00</td> </tr> <tr> <td>Edenville- Ngegu Access Road</td> <td>37,852,200.00</td> </tr> <tr> <td>Githunguri - Kamburu Road</td> <td>308,616,569.85</td> </tr> <tr> <td>Gatuanyaga Primary School - Komo-Munyu Road</td> <td>525,899,920.00</td> </tr> <tr> <td>Kimuri - Full Gospel Road</td> <td>100,558,156.56</td> </tr> <tr> <td>Sub-total</td> <td>1,981,592,637.41</td> </tr> <tr> <td>Makutano - Ndeiya SGR Link Road</td> <td>426,922,611.98</td> </tr> <tr> <td>Kiamumbi Police Station - Kiukenda Road</td> <td>98,960,000.00</td> </tr> <tr> <td>Sub-total</td> <td>525,882,611.98</td> </tr> <tr> <td>Total</td> <td>2,507,475,249.39</td> </tr> </table> <p data-bbox="611 719 1461 775">The following unsatisfactory issues were noted in regard to the tender awards:</p> <ul style="list-style-type: none"> <li data-bbox="643 801 1461 857">(i) No explanation was provided by Management on why the works were re-advertised. <li data-bbox="643 891 1461 1010">(ii) Although the tenders were duly processed and awarded to various contractors, no evidence was provided to indicate that contract agreements were signed between the County Executive and the respective winning bidders. <li data-bbox="643 1043 1461 1099">(iii) No allocations of funds had been made in the approved budget for these projects and their execution was therefore, irregular. <p data-bbox="611 1126 1461 1211">In view of these anomalies the validity and propriety of the works totalling Kshs.2,507,475,249.39 awarded to various contractors has not been confirmed.</p>	Gachie - Karura- Gacharage Road	134,063,433.00	Edenville- Ngegu Access Road	37,852,200.00	Githunguri - Kamburu Road	308,616,569.85	Gatuanyaga Primary School - Komo-Munyu Road	525,899,920.00	Kimuri - Full Gospel Road	100,558,156.56	Sub-total	1,981,592,637.41	Makutano - Ndeiya SGR Link Road	426,922,611.98	Kiamumbi Police Station - Kiukenda Road	98,960,000.00	Sub-total	525,882,611.98	Total	2,507,475,249.39
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5.	Procurement of Road Construction Works Without Requisitions	<p data-bbox="611 1245 1461 1424">Records presented for audit indicated that contrary Section 162 (4) of the Public Procurement and Asset Disposal Act (PPDA), 2015, the County Executive incurred expenditure totalling Kshs.42,259,423 on construction of thirteen roads for which no requisitions from the Roads Department were obtained before commitment of public funds. The contracts are highlighted in the table below:</p> <table border="1" data-bbox="611 1458 1382 2045"> <thead> <tr> <th data-bbox="611 1458 1098 1514">Description</th> <th data-bbox="1098 1458 1382 1514">Amount (Kshs.)</th> </tr> </thead> <tbody> <tr> <td data-bbox="611 1514 1098 1581">Rehabilitation of Karia Health Centre- Dam Ha Kanda Road</td> <td data-bbox="1098 1514 1382 1581">1,081,500.00</td> </tr> <tr> <td data-bbox="611 1581 1098 1648">Rehabilitation of Matuguta-Mumias Road</td> <td data-bbox="1098 1581 1382 1648">3,979,350.00</td> </tr> <tr> <td data-bbox="611 1648 1098 1715">Construction of Githioroni Road in Kirenga Ward</td> <td data-bbox="1098 1648 1382 1715">3,839,500.00</td> </tr> <tr> <td data-bbox="611 1715 1098 1783">Rehabilitation of Access Road in Kijabe</td> <td data-bbox="1098 1715 1382 1783">3,999,657.00</td> </tr> <tr> <td data-bbox="611 1783 1098 1872">Payment for Graveling and Drainage Works in Kamenu Ward</td> <td data-bbox="1098 1783 1382 1872">3,613,400.00</td> </tr> <tr> <td data-bbox="611 1872 1098 1939">Payment for Emergency Works in Sigona Ward</td> <td data-bbox="1098 1872 1382 1939">1,010,024.00</td> </tr> <tr> <td data-bbox="611 1939 1098 2007">Construction of Moonlight Road</td> <td data-bbox="1098 1939 1382 2007">3,979,350.00</td> </tr> <tr> <td data-bbox="611 2007 1098 2045">Rehabilitation of Green Gates Access Road</td> <td data-bbox="1098 2007 1382 2045">3,984,900.00</td> </tr> </tbody> </table>	Description	Amount (Kshs.)	Rehabilitation of Karia Health Centre- Dam Ha Kanda Road	1,081,500.00	Rehabilitation of Matuguta-Mumias Road	3,979,350.00	Construction of Githioroni Road in Kirenga Ward	3,839,500.00	Rehabilitation of Access Road in Kijabe	3,999,657.00	Payment for Graveling and Drainage Works in Kamenu Ward	3,613,400.00	Payment for Emergency Works in Sigona Ward	1,010,024.00	Construction of Moonlight Road	3,979,350.00	Rehabilitation of Green Gates Access Road	3,984,900.00		
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6.	Unsupported Expenditure on Casual Wages	<p data-bbox="611 786 1477 1032">Unsupported Expenditure on Casual Wages Expenditure records examined indicated that a sum of Kshs.23,999,491 was spent on wages for laborers hired for roads rehabilitation and repair projects done during the year under review. However, there were no records to show that, as required by the law, the laborers were hired through the County Public Service Board and signed work contracts before taking up the jobs.</p> <p data-bbox="611 1055 1477 1211">Further, there were no records to clarify the tasks performed by the labourers since the road works in the County were done by contractors who hired their own staff. As a result, the validity and propriety of the expenditure totalling Kshs.23,999,491 incurred on casual wages during the year could not be confirmed.</p>												
7.	Stalled Upgrading of Roads to Bituminous Standard	<p data-bbox="611 1240 1477 1368">Records availed for audit indicated that on diverse dates between 2013/2014 and 2017/2018 financial years, the County Executive awarded contracts to various companies for upgrading of gravel surface roads to bitumen standard at contract sums totalling Kshs.1,891,195,489.</p> <p data-bbox="611 1391 1477 1727">An audit review of the execution of the projects in September 2019, revealed that rehabilitation and improvement of C64-C65 Road, construction of Thogoto-Ndaire-Dagoreti Road, improvement of Thika Town entrance-Garissa Road at Gatitu and Kenyatta Road, upgrading of gravel roads to bituminous standard in Thika, Limuru, Gatundu North, Juja and Ruiru towns, construction of Kimende town roads and Improvement of JCT A2 (Kimbo) Matangini Road had stalled. Further, Management did not explain why the amounts paid on two projects namely spot improvement and maintenance of Ndumberi-Githunguri Road, and repair and rehabilitation of Githunguri Town roads exceeded the respective contract sums.</p> <p data-bbox="611 1749 1477 1816">Consequently, value for money on the public funds spent on the roads could not be confirmed.</p>												