

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF KIRINYAGA FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of County Executive of Kirinyaga set out on pages 8 to 43, which comprise the statement of assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows, summary statements of appropriation: recurrent, development and combined and budget execution by programmes and sub-programmes for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of County Executive of Kirinyaga as at 30 June 2017, and 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.

In addition, as required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that public money has not been applied lawfully and in an effective way.

Basis for Adverse Opinion

1.0 Inaccuracies in the Financial Statements

1.1 Variances between the Financial Statements and IFMIS

The figures in the financial statements for the year ended 30 June 2017 contain discrepancies totaling Kshs.7,838,536,270 compared with IFMIS report balances as summarized below;

Components	Financial Statements Amount Kshs.	IFMIS Report Amount Kshs.	Variances Kshs.
Total Receipts	4,384,438,190	96,388,717	4,288,049,473
Total Payments	4,491,945,414	3,340,153,234	1,151,792,180
Cash and Bank	517,790,503	2,185,524,848	(1,667,734,345)
Receivables	-	344,590,027	(344,590,027)
Payables	97,785,527	11,363,839,078	(11,266,053,551)
Total	9,491,959,634	17,330,495,904	(7,838,536,270)

Item	Note	Financial Statements Amount Kshs.	Supporting Schedules Kshs.	Difference Kshs.
Utilities, Supplies and services	12	257,567,397	23,728,992	233,838,405
Communication, Supplies and Services	12	6,531,777	7,075,374	(543,597)
Domestic Travel and Subsistence	12	47,346,993	46,855,785	491,208
Foreign Travel and Subsistence	12	1,028,952	5,286,285	(4,257,333)
Printing Advertising and Information supplies and Services	12	32,183,808	33,758,876	(1,575,068)
Training Expenses	12	46,033,471	36,709,593	9,323,878
Rentals of produced Assets	12		3,000,000	(3,000,000)
Hospitality Supplies and Services	12	15,145,091	15,579,702	(434,611)
Insurance Costs	12	26,938,489	80,571,608	(53,633,119)
Specialized materials and services	12	38,273,484	240,293,028	-202,019,544
Office and general supplies and services	12	11,697,255	16,799,195	(5,101,940)
Fuel, Oil and lubricants	12		28,144,461	(28,144,461)
Other operating expenses	12	81,910,646	77,951,869	3,958,777
Routine maintenance - Vehicles and other transport Equipment	12	29,336,150	6,351,411	22,984,739
Routine maintenance - Other Assets	12	5,855,193	9,592,259	(3,737,066)
Transfers to Other Government Units	14	568,383,525	514,819,445	53,564,080
Other grants and Transfers	15	121,608,045	101,856,165	19,751,880
Construction of Buildings	17	233,618,888	233,507,112	111,776
Construction of Roads	17	308,026,780	293,484,991	14,541,789
Construction of Civil Works	17	427,181,459	325,497,131	101,684,328
Purchase of office furniture and general equipment	17	1,050,150	4,141,966	(3,091,816)
Purchase of ICT Equipment	17	4,436,212	41,725,745	(37,289,533)

Purchase of Certified seeds, breeding stock and live animals	17	3,328,759	1,715,550	1,613,209
Total		1,784,735,807	1,610,643,644	174,092,163

Further, the statement of receipts and payments for the year under review reflects total payments amounting to Kshs.5,244,859,905. However, a review of IFMIS payment details indicated Kshs.4,494,769,269 and thus resulting in an unreconciled difference of Kshs.750,090,636.

In view of the foregoing, the accuracy and completeness of these financial statements for the year ended 30 June 2017 could not be confirmed.

1.2 Discrepancies between Financial Statements Balances and supporting schedules

The financial statements for the year ended 30 June 2017 reflects figures totaling Kshs.1,784,735,807 which are at variance with the supporting schedules total figure of Kshs.1,610,643,644 resulting to a difference of Kshs.174,092,163 as detailed below;

Consequently, the accuracy and completeness of the expenditure on these items amounting to Kshs.1,784,735,807 for the year ended 30 June 2017 could not be confirmed.

2.0 Transfers from National Treasury

The statement of receipts and payments for the year ended 30 June 2017 reflects transfers from exchequer releases figure of Kshs.3,817,781,963, and proceeds from domestic and foreign grants of Kshs.6,385,000 and transfers from other government entities of Kshs.239,897,129 all totaling Kshs.4,064,064,092. However, the report of the Controller of Budget for the same period indicates exchequers releases of Kshs.3,976,680,000 comprising of recurrent exchequer of Kshs.2,853,560,000 and development exchequer releases of Kshs.1,123,120,000 and therefore resulting in unreconciled difference of Kshs.87,384,092.

Consequently, the accuracy and completeness of the transfer from National Treasury totaling to Kshs.4,064,064,092 for the year ended 30 June 2017 could not be confirmed.

3.0 Variances between Receipts in Financial Statements and County Revenue Fund (CRF)

The statement of receipts and payments for the year ended 30 June 2017 reflects total receipts figure of Kshs.4,384,438,190 which is at variance with the amount captured in the County Revenue Fund (CRF) account resulting in unreconciled differences as analyzed below:

Item	Amount captured in CRF account Kshs.	Financial Statements Amount Kshs.	Variance Kshs.
Opening balance	351,191,061	340,197,570	10,993,491
Closing balance	368,121,048	365,091,099	3,029,949
Receipts for the year	4,488,183,605	4,384,438,190	103,745,415
Own generated receipts	346,257,078	320,374,098	25,882,980

As a result, the accuracy of the receipts balance of Kshs.4,384,438,190 for the year ended 30 June 2017 could not be confirmed.

4.0 Other Revenue

4.1 County Own Generated Revenue - Differences

The statement of receipts and payments for the year ended 30 June 2017 reflects receipts of Kshs.320,374,098 in respect of county own generated revenue. However, records made available in form of bank statements and deposits into seven (7) collection bank accounts in commercial banks indicate total collections of Kshs.341,324,231.

Further, a review of LAIFOMS summaries and primary records maintained by the County revealed total revenue collections of Kshs.345,673,470 resulting in unexplained difference of Kshs.25,299,372. In addition, the daily breakdown of the revenue collected was not made available for audit review.

The management has however not provided reconciliation or explanation for the three (3) different balances relating to the same county own generated receipts. Consequently, the accuracy, regularity and completeness of the county own generated receipts for the year under review could not be ascertained.

4.2 County Own Generated Revenue - Performance

In addition, the county government projected to collect Kshs.826,028,098 from local sources. However, the County Government realized actual revenue collection of Kshs.320,374,098 being 39% of approved budget figure recording an under collection of Kshs.505,654,000 or 61%.

Further, a comparison of own generated revenue with previous year revealed actual revenue decreased by Kshs.70,003,042 from Kshs.390,377,140 collected in previous year to Kshs.320,374,098 for 2016/2017.

The recorded decline of revenue collected during the year and failure to meet the budgeted amount was attributed to a reduction in applicable rates for various revenue streams in line with the Finance Bill 2016. However, the management has not provided mechanisms and measures taken to reverse the decline in revenue collection.

The continued under collection of local revenue affects negatively the implementation of approved programs and therefore poor service delivery to the public.

4.3 Revenue Spent at Source

Further, a scrutiny of the bank account statements for the year under review revealed that a total of Kshs.2,001,000 was transferred from the collection account No.01141567202400 at Cooperative Bank to operational account No.01141567202401 at the same bank on 19 September 2016 (Kshs. 1,200,000), 30 October 2016 (Kshs.601,000) and 18 November 2016 (Kshs. 200,000) without authority from the Controller of Budget (CoB) contrary to Section 109(5) of the Public Finance Management Act, 2012 which require the County Treasury to obtain written approval from CoB before withdrawing money from the County Revenue Fund and as appropriated by County Assembly. The management was, therefore, in breach of the law.

5 Compensation of Employees

5.1 Accuracy of Compensation of Employee Costs

The statement of receipts and payments for the year ended 30 June 2017 reflects compensation of employees costs of Kshs.2,134,561,139 which was paid to 2,709 employees during the year. However, records maintained by the County Government and Intergrated Payroll and Personnel Database (IPPD) indicated an amount of Kshs.2,079,388,142 resulting in unexplained and unreconciled variance of Kshs.55,172,997. Further, included in the compensation of employees expenditure is an amount of Kshs.18,171,489 paid to various firms in respect of supply of goods, works and services charged to wrong class of budget item basic salaries – permanent employees (2110100) contrary to the provisions of Section 48(1) (d) of the Public Finance Management Act, 2012 which prohibits reallocation of funds from wage to non-wage expenditure.

Consequently, the accuracy and completeness of compensation of employees balance of Kshs.2,079,388,142 for the year ended 30 June 2017 could not be ascertained.

5.2 Bloated Wage Bill

During the year under review, the County Executive of Kirinyaga allocated Kshs.2,126,195,667 for compensation of employees but spent Kshs.2,134,561,139 resulting in excess and unapproved expenditure of Kshs.8,365,472 or 0.4% of the budget . Further, the compensation of employees expenditure of Kshs.2,134,561,139 paid to 2709 employees represents about 49% of total revenue of Kshs.4,384,438,190 collected during the year. The expenditure therefore exceeded the set limit of 35% contrary to Regulations 25(1) (b) of the Public Finance Management (County Governments) Regulations, 2015 which provides that county government expenditure on wages and benefits for public officers should not exceed 35 percent (%) of the county total revenue.

It is of great concern that a big portion of County's revenue is used to remunerate its workforce at the expense of development projects which is unsustainable. This may affect service delivery to the residents of Kirinyaga County.

5.3 Lack of Staff Establishment

As reported in previous year, contrary to the requirement of Section B 5 (2) and section B 6 (3) of the County Public Service Human Resource Manual and Transition Authority

Circular Ref. No TA/2 dated 18 December 2013, Kirinyaga County does not have an approved staff establishment and therefore optional staffing levels for all cadre of staff have not been established. The basis for declaring vacancies, advertising and subsequent recruitment therefore could not be established.

5.4 Recruitment of Staff

A review of the personnel records presented for audit revealed that the County Executive employed one hundred and sixty-four (164) new members of staff, out of which eighty three (83) were youth polytechnic instructors who were serving on contract terms and eighty one (81) newly appointed employees. However, relevant records such as declared vacancies, advertisements, minutes on opening of applications received, shortlisting, interview score sheets and subsequent appointments were not made available for audit verification. Further, out of one hundred and sixty-four (164) only twenty-eight (28) of the polytechnic instructors were subjected to suitability interviews. In addition, three (3) officers were appointed on permanent and pensionable terms on 1st January 2017 when they had already attained the mandatory retirement age of sixty (60) years.

Consequently, it has not been possible to confirm whether the employees were recruited competitively.

5.5 Basic Wages of Temporary Employees

Included in the compensation of employees balance of Kshs.2,134,561,139 and as further disclosed in Note 11 to the financial statements is basic wages of temporary employees expenditure of Kshs.25,628,617 and compulsory contributions in respect of NSSF of Kshs.3,043,898. However, a review of schedules of payments presented for audit verification indicate payments totaling Kshs.51,930,054. Further, the supporting payment vouchers in respect of the basic wages for temporary employees totalled Kshs.38,344,359. However, management has not provided reconciliation or explanations for the three (3) different figures relating to same item.

It was further noted that the County Executive engaged employees on temporary basis for periods longer than the mandatory three (3) months contrary to the requirements of Employment Act, 2007 which prohibits engaging employees on continuous basis for more than three (3) months. The management was therefore in breach of the law.

Consequently, the accuracy and completeness of basic wages of temporary employees expenditure for the year ended 30 June 2017 could not be ascertained.

6. Use of Goods and Services

The statements of receipts and payments for the year ended 30 June 2017 reflects payments totaling Kshs.605,101,387 in respect of use of goods and services. However, during the year, the County Executive budgeted Kshs.593,456,767 resulting in over expenditure of Kshs.12,227,571 or 2% of budget. Further, the following observations were made in respect of specific items as disclosed in Note 12 to the financial statements.

6.1 Utilities, Supplies and Services – Unsupported Expenditure

Note 12 to the financial statements reflects utilities, supplies and services of Kshs.257,567,397. However, the approved budget allocation was Kshs.18,560,915 resulting to an unexplained over expenditure of Kshs.239,006,482. Further, out of the total expenditure of Kshs.257,567,397, payment vouchers totaling Kshs.233,838,405 were not made available for audit verification and the expenditure remains unsupported and therefore irregular.

6.2 Domestic Travel and Subsistence

Note 12 to the financial statements for the year under review reflects domestic travel and subsistence figure of Kshs.47,346,993. Out of this expenditure, payment records and expenditure vouchers in respect of Kshs.491,208 were not made available for audit review. Further, included in the expenditure is field allowance amounting to Kshs.984,650 for which the basis of the payment was not made and is not supported by regulation.

In addition several officers were paid daily subsistence allowance amounting to Kshs.1,548,304 in respect of official duties outside the County. However, there was no evidence of travel as the officers claimed to have used private means which could not be supported by any authority / approval, vehicle registration numbers and dates of travel.

A review of supporting documentations attached to the payments revealed that various officers accounted for their imprests using taxi receipts, were overpaid subsistence allowances and claims that were made for undertaking routine duties that fall within their normal responsibilities of employment.

Consequently, the accuracy and propriety of domestic travel and subsistence of Kshs.47,346,993 could not be confirmed.

6.3 Foreign Travel and Subsistence

Included in use of goods and services expenditure for the year under review and as further disclosed in Note 12 to the financial statements are payments in respect of foreign travel and subsistence of Kshs.1,028,952. However, payment vouchers presented for audit and payment listing reflect an amount of Kshs.5,286,285 resulting in unexplained and unreconciled understatement of Kshs.4,257,333. Further, the payments were not supported by boarding passes or evidence of travel. In addition, the payments include bulk imprest to officers on behalf of others with no proof of endorsement by recipients as proof of receipt of the allowances.

As a result, the propriety, validity and completeness of foreign travel and subsistence payment of Kshs.1,028,952 for the year ended 30 June 2017 could not be confirmed.

6.4 Printing, Advertising and Publicity

Included in the use of goods and services figure of Kshs.605,101,387 is printing, advertising and information supplies and services expenditure amounting to Kshs.32,183,808 as disclosed in note 12 to the financial statements. However, a review of records in respect of payments revealed various anomalies including lack of ETR to authenticate cash payments, lack of requisition documents from user departments and failure to attach inspection and acceptance committee certificates.

Further, items bought were not officially received, inspected and recorded in ledger/bin cards indicating supplier, dates, LPO no. and quotation or contract reference number contrary to the provisions of Section 62 of the Public Procurement and Asset Disposal Act, 2015.

As a result, the propriety and completeness of printing advertising and information supplies services payments of Kshs.32,183,808 for the year ended 30 June 2017 could not be confirmed.

6.5 Training Expenses

Note 12 to the financial statements for the year ended 30 June 2017 reflects training expenditure of Kshs.46,033,471. However, payment records made available for audit reflected a figure of Kshs.36,709,593 resulting in unexplained variance of Kshs.9,323,878.

Consequently, the accuracy and completeness of training expenses of Kshs.46,033,471 for the year ended 30 June 2017 could not be confirmed.

6.6 Hospitality, Supplies and Services

Note 12 to the financial statements reflects payments in respect of hospitality, supplies and services amounting to Ksh.15,145,091.00 for the year under review. Examination of payment records made available indicate that payments amounting to Ksh.15,579,702 were made under sub items boards, committees, conferences and seminars; catering services, national celebrations; and state hospitality costs. The resultant variance of Kshs.434,611 has not been reconciled.

Further, examination of payment vouchers and other supporting records revealed failure by the management to properly support the payments with authentic documents, list of those attending in respect of meals and snacks bought for specific events, evidence of travelling and invitation letters necessitating such travel among other anomalies.

As a result, the propriety, validity and completeness of expenditure of Kshs.15,145,091 on hospitality supplies and services for the year ended 30 June 2017 could not be confirmed.

6.7 Insurance Costs

Note 12 to the financial statements on use of goods and services includes Kshs.26,938,489 in respect of insurance costs on motor vehicles and medical cover for members of staff. However, a review of the payments indicate that the County Executive paid a total of Kshs.80,571,608 in respect of insurance costs during the year under review. The variance between actual payments and the financial statement figure of Kshs.53,633,119 has not been explained. The details of the payments are as follows;

Pv. No.	Date	Payee	Amount (Ksh)
Medical Cover			
13134	07/10/16	Disney Insurance Brokers Ltd	12,315,421
14014	15/11/16	Disney Insurance Brokers Ltd	882,388
14086	27/11/16	Trident Insurance Company Ltd	28,528,163

14831	06/01/17	National Hospital Insurance Fund	24,392,193
15049	19/01/17	Disney Insurance Brokers Ltd	3,107,807
Sub-Total			69,225,972
Motor Vehicle			
15049	19/01/17	Disney Insurance Brokers Ltd	6,092,953
17586	29/05/17	Disney Insurance Brokers Ltd	5,252,683
Sub-Total			11,345,636
Grand Total			80,571,608

The following further observations relating to insurance expense were made:

(i) Failure to Provide Policy Documents

Expenditure records in respect of the insurance such as policy documents for the medical and motor vehicle insurance, list of motor vehicles insured, and valuation reports for the same were not made available for audit verification. It is therefore not clear how the premium amounts were determined. Further, tender documents in respect of motor vehicle insurance worth Ksh.11,345,636 were not made available for audit verification.

(ii) Group Personal Accident Cover

The tender for group personal accident cover was awarded to M/s Disney Insurance Brokers Ltd as per award letter dated 18th June, 2016. The contract was signed on 7th July, 2016 and was to run from 1st January, 2017 to 31st December, 2017. A review of the tender documents made available for audit review indicated that six (6) bidders returned their bids. However, all the bidders apart from Disney Insurance Brokers Ltd whose tender price was Ksh.13,540,680 were knocked out at the preliminary evaluation stage. However, records indicate that the company was paid a total of Kshs.16,305,616 instead of the tender sum of Kshs.13,540,80. The difference has not been explained. It is also not clear why the premium amount was paid three (3) months before the policy came into effect.

(iii) Medical Cover

Records indicate that the County Executive paid an amount of Ksh.28,528,163 to M/s Trident Insurance Company Ltd on 21st November, 2016. The payment was made through payment voucher number 14086 and charged to item 7320108, sub item, insurances. This payment was in respect of staff medical cover and was to be run from 28th October, 2016 to 27th October, 2017.

Documents made available in respect of tender for this service indicate that five (5) firms returned their bids. At the preliminary evaluation stage three (3) firms were disqualified as a result of their financial statements not having been signed by a commissioner of oaths. M/s Disney Insurance Brokers Ltd who gave a bid of Ksh.31,600,000 was the only other firm left to compete with Trident Insurance Company Ltd. However, the County

Executive management did not make available the staff listing eligible for this cover and the policy document in support of the amount paid for staff medical cover.

Further, examination of records revealed that during the same period a payment of Ksh.24,392,193 was made to NHIF in respect of medical cover under Work Injury Benefit Act (WIBA), 2007. It is not clear how different this medical cover is compared to the group personal accident contracted during the same period to Disney Insurance Brokers Ltd. At the same time, the County Executive made statutory deductions amounting to Ksh.37,559,900 from the members of staff in respect of NHIF. However, the staff listing and beneficiaries in respect of the cover and other relevant records were not made available for audit verification. Reasons and prudence of having all these parallel insurance schemes was not provided.

Consequently, the propriety, accuracy and completeness of expenditure of Ksh.26,938,489 on insurance costs for the year ended 30 June 2017 could not be ascertained.

6.8 Specialized Materials and Services

Note 12 to the financial statements on use of goods and services reflects payments in respect of specialized materials and services amounting to Ksh.38,273,484. However, a review of payment records revealed various payments amounting to Kshs.250,293,027 charged to various sub items and departments as follows;

Department	Amount per sub item (Ksh)							
	Agricultural Materials, Supplies and Small Equipment	Dressings and Other Non-pharmaceutical Medical Items	Food and Rations	Laboratory Materials, Supplies and Small Equipment	Medical Drugs	Purchase of Beddings and Linen	Specialized Materials - Other	Others-Chemicals, vaccines. Library supplies, Uniforms, supplies
Agriculture	2,274,474	0	340,139	0	0		16,207,038	5,219,846
Culture &SS	49,000	0	1,087,987	0	79,680	107,950	10,824,593	0
Governor	0	0	0	0	0	0	5,888,940	
Health	0	38,648,849	13,777,585	14,975,768	125,198,948	3,360,000	0	6,846,905
Trade	0	0	0	0	0	0	3,303,450	52,900
Finance								1,513,865
Education								17,000
Transport								7,560
Environment								510,550
Total	2,323,474	38,648,849	15,205,711	14,975,768	125,278,628	3,467,950	36,224,021	14,168,626

The County Executive management has not explained why payments amounting to Kshs.250,293,027 were not disclosed in the statement of receipts and payments under specialized materials and services.

Further review of payment records revealed that out of the expenditure, Kshs.36,224,020.60 was spent on specialized materials—other sub item (2211031), which was in respect to procurement of other items such as branded tents, branded plastic chairs, blankets, steel sufurias and ordinary branded lessos. However, the procurement records including requisitions, tender documents, receipt and issuance were not made available for audit.

Consequently, the propriety, validity and accuracy of Kshs.38,273,484.00 on specialized materials and services for the year ended 30 June 2017 could not be confirmed.

6.9 Other Operating Expenses

Included in the use of goods and services figure of Kshs.605,101,387 as disclosed in Note 12 to the financial statements is other operating expenses of Kshs.81,910,646 out of which Kshs.18,204,941 was paid to various legal firms in respect of services provided to the County Executive. However, no documentation was made available on how these firms were identified including, any service agreement signed with the County Executive governing the terms and certificate of appointment in respect of every case or transaction. The firms were also not in the prequalified list of suppliers of goods and services for the County for the period under review contrary to Section 95 of the Public Procurement and Asset Disposal Act, 2015. The outcome of the proceedings for which the payments were made were also not made available for audit verification.

As a result, the propriety, validity and accuracy and completeness of the payments amounting to Kshs.81,910,646 in respect of other operating expenses for the year ended 30 June 2017 could not be confirmed.

6.10 Routine Maintenance – Vehicles and Other Transport Equipment

Note 12 to the financial statements on use of goods and services includes payments totaling Ksh.29,336,150, in respect of routine maintenance – vehicles and other transport equipment, for the year under review. However, a review of the payment records made available amounted to Kshs.6,351,410 for the same period resulting in unexplained variance of Kshs.22,984,739.

Further, a review of the motor vehicle records indicated that the driver defects reports were not provided to prove the need for the service. In addition, inspection reports before and after repairs to confirm repairs to the vehicles from the transport and mechanical department were not attached to the payment vouchers.

Consequently, the propriety and accuracy of the payments of Kshs.29,336,150 in respect of routine maintenance – vehicles and other transport equipment incurred during the year could not be confirmed.

6.11 Routine Maintenance – Other Assets

Included in the use of goods and services figure of Kshs.605,101,387 is routine maintenance–other assets amounting to Kshs.5,855,193 as disclosed in Note 12 to the financial statements. However, supporting schedules provided for audit review reflect total payments of Kshs.9,582,259.65 and thus resulting to unexplained variance of Kshs.3,727,066.65.

Further, reports from the Ministry of Public Works for the maintenance of the buildings, plant, machinery and equipment were not made available for audit verification. Job cards and maintenance reports in respect of ICT equipment from the respective departments confirming maintenance of computers, software and network repairs were also not provided.

Under the circumstances, the accuracy and validity of routine maintenance – other assets of Kshs.5,855,193 for the year ended 30 June 2017 could not be confirmed.

7.0 Transfers to Other Government Units

Note 14 to the financial statements reflects payments in respect of transfers to other government units of Kshs.568,383,525 for the year ended 30 June 2017. However, the approved budget indicated that the County Executive allocated Kshs.541,065,015 during the financial year hence an unexplained over expenditure of Kshs.27,318,510. Further, these transfers were made towards County Assembly, transfers to County funds and other conditional grants. A review of records of County Assembly and respective funds indicate total receipts of Kshs.514,819,445 as shown in the table below thus resulting in unexplained variance of Kshs.53,564,080.

Description	Amount Transferred as per financial statements Kshs.	Amount Received Kshs.	Variance Kshs.
Car and Mortgage Fund	25,000,000	25,000,000	0
County Assembly	480,465,015	482,465,015	-2,000,000
Hospital Facility Improvement Fund	50,170,510	0	50,170,510
Emergency Fund	0	7,354,430.00	-7,354,430
Health Centers DANIDA and HSSF Fund	11,250,000		11,250,000
Alcoholic Fund	1,498,000	0	1,498,000
Total	568,388,525	514,819,445	53,569,080

As a result, the accuracy and validity of transfers to other government units of Kshs.568,383,525.00 for the year ended 30 June 2017 could not be confirmed.

8.0 Other Grants and Transfers

The statement of receipts and payments for the year ended 30 June 2017 reflects other grants and transfers figure of Kshs.122,543,040. The balance as disclosed under note 15 to the financial statements includes an amount of Kshs.100,921,169 transferred to the bursary fund account to cater for scholarships and other educational benefits. However, the bursary fund financial statements reflects receipts of Kshs.101,856,165 during the year resulting to unexplained variance of Kshs.934,996.

Further, other payments amounting to Kshs.204,488,239 recorded in the ledgers and payment listing for the year under review were excluded from these financial statements as detailed below:

Sub item	Details	Amount -Kshs.
1110107	Intercompany Receivables	69,440
2430100	General Government	2,000,000
2510100	Subsidies to Non-Financial Public Enterprises	5,744,917
2640200	Emergency Relief and Refugee Assistance	600,000
2640400	Other Current Transfers	50,000
2710100	Government Pension and Retirement Benefits	7,716,326
2990100	System Required Expenses	188,307,557
Total		204,488,239

Under the circumstances, the accuracy and completeness of other grants and transfers of Kshs.122,543,040 for the year ended 30 June 2017 could not be ascertained.

9.0 Fixed Assets

9.1 List of Assets

Annex 4 to the financial statements reflects list of assets of the County Executive. However, the annexure attached to these financial statements does not conform to the reporting format as required by the reporting framework recommended by the Public Sector Accounting Standards Board (PSASB) through circular No.AG4/16/1/Vol.IV/76 of 13 July 2017. The circular requires that cumulative balances of all assets and additions during the year should be disclosed.

Further, the list of assets annexed to these financial statements does not include asset tag numbers, suppliers and serial numbers and value of land and buildings inherited or acquired by the county Executive. There was no evidence also indicating that assets inherited from the defunct local authorities in the County were included in the schedules provided. The cost of assets acquired during the year was also not captured in the annexure. The financial statements, therefore, are not in line with the International Public Sector Accounting Standards and as prescribed by the Public Sector Accounting Standards Board (PSASB).

9.2 Disputed Ownership of Land – KIINE/THINGIRICHI/527

The above parcel of land, measuring approximately 250 acres, was registered on 5 May, 1960 as Native Trust Land Board/County Council of Kirinyaga. The land was reserved as a cattle holding ground under the Veterinary department. A civil suit No. 245 of 2000 was however filed by a Mr. Peterson Mwangi Nguu against the defunct County Council of Kirinyaga claiming legal ownership of this parcel of land. On 25 November, 2004, the land was registered in the name of Mrs. Margaret Wambui Mwangi being the widow of Mr. Peterson Mwangi Nguu. The dispute is still pending in court awaiting determination. No evidence was provided by the County management on how this registration was done and whether the then County Council filed a defence or any litigation.

9.3 Land Ownership Documents

Records made available from the lands office document Ref: KIR/LND/REG/GRN/ dated 11 April, 2014 indicate the existence of forty-eight (48) parcels of land. However, land ownership documents in respect of these parcels of land were not made available for audit verification. Other vital information among them the date of when they were acquired, purpose of the land and its value were not indicated in the list of parcels of land as indicated in the **Appendix 15** attached.

Further, the audit revealed that twelve (12) parcels of land, with an estimated value of Ksh.2,250,000, were reflected in the fixed asset register. However, ownership documents made available were for only three (3) parcels of land namely Kabare/Nyangati/ 1673 approximately 0.405Ha, Kabare/Kiritini/ 2496 approximately 0.41Ha and Mwerua/Kibiriri/1825 approximately 0.40Ha.

In addition, information from lands office obtained from letter reference No.KIR/LND/REG/GEN of 11 April, 2014, indicated that eight (8) parcels of land owned by the County were not listed in the fixed asset register presented for audit verification. It was not explained why the following parcels of land were omitted in the list of assets:

- a) Mwerua/Kibiriri/825
- b) Kabare/Mikaraba/146
- c) Kiirie/Thingirichi/527
- d) Inoi/Kerugoya/194
- e) Mwerua/Kagio/128
- f) Baragwi/Raimu/38
- g) Mwea//Teberere/92
- h) Mwea/Bricho/285

Consequently, the accuracy and completeness of summary of fixed assets register for the county could not be confirmed.

10.0 Accounts Payables – Deposits and Retentions

The statement of assets reflects accounts payables – deposits and retentions balance of Kshs.97,985,527 as at 30 June 2017. However, the management did not maintain a ledger to record deposits and retentions.

As a result, it was not possible to confirm the accuracy and completeness of the accounts payables balance of Kshs.97,985,527 as at 30 June 2017.

11.0 Cash and Cash Equivalents

11.1 Bank Balances

The statement of assets as at 30 June 2017 reflects bank balances amounting to Kshs.517,790,503. According to Note 21A to the financial statements, the County Executive has forty four (44) bank accounts including a bursary fund account for each of the twenty wards. However, bank reconciliations statements for the bursary fund accounts were not prepared during the year. Further, bank confirmation certificates for twelve (12) bursary bank accounts were also not presented for audit review.

Consequently, the accuracy and completeness of bank balances of Kshs.517,790,503 as at 30 June 2017 could not be confirmed.

11.2 County Revenue Fund Account

Included in bank balances of Kshs.517,790,503 is a balance of Kshs.365,091,098 in respect of County Revenue Fund Account at Central Bank of Kenya. However, the bank statement presented for audit indicated a balance of Kshs.368,121,048 resulting in unreconciled and unexplained variance of Kshs.3,029,950.

As a result, the accuracy and completeness of CRF bank balance of Kshs.365,091,098 as at 30 June 2017 could not be confirmed.

11.3 Variances between financial statements and county fund accounts

Further, included in the bank balances of Kshs.517,790,503 are twenty seven (27) ward fund balances. However, a review of corresponding fund accounts in respect of ten (10) county funds revealed discrepancies as summarized below;

Funds	Balance as per financial statements Kshs.	Fund Account Balance Kshs.	Variance Kshs.
Kiine Ward	87,629	110,243	(22,614)
Kariti Ward	235,807	134,117	101,690
Mukure Ward	35,847	37,047	(1,200)
Nyagati Ward	445	(190,556)	(191,001)
Kanyekiine	50,722	114,000	(63,278)
Kangai	1,465	30,645	(29,180)
Thiba Ward	30,765	113,465	(82,700)
Karumandi Ward	30,166	10,166	20,000
Njukiini Ward	465,813	463,813	2,000
Health Facility Improvement	83,655	50,749	32,906

In view of the foregoing, the accuracy and completeness of bank balances of Kshs.517,790,503 as at 30 June 2017 could not be confirmed.

12.0 Pending Bills

A detailed listing of pending bills annexed to these financial statements reflects a balance of Kshs.296,172,068 as at 30 June 2017 comprising of development and recurrent bills of Kshs.209,067,850 and Kshs.87,104,218 respectively. However, the amount was not disclosed in the prescribed format in the templates provided by the Public Sector Accounting Standards Board (PSASB). Further, records maintained in respect of some of the unpaid bills did not include payment voucher numbers, LPO/LSO number and chargeable item. In addition, had these bills been paid, the statement of receipts and payments would have reflected a deficit of Kshs.403,679,292 instead of Kshs.107,507,224 now shown.

Consequently, the accuracy of pending bills and payables for the year ended 30 June 2017 could not be confirmed.

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. Except for the matters described in the Basis for Adverse Opinion section, I have determined that there are no Key Audit Matters to communicate in my report.

Other Matter

1.0 Budgetary Performance

1.1 Overall budget Performance

During the financial year ended 30 June 2017, the County Executive of Kirinyaga had an approved budget of Kshs.5,244,859,904 comprising of recurrent vote of Kshs.3,369,024,045 and development vote of Kshs.1,875,835,859. The summary statement of appropriation recurrent and development-combined reflected overall expenditure totalling Kshs.4,491,945,413 equivalent to 86% absorption rate as follows:

Vote	Approved Budget 2016/17 Kshs.	Actual Expenditure 2016/17 Kshs.	Under Absorption Kshs.	Over expenditure- Kshs.	Absorption rate %
Recurrent	3,369,024,045	3,554,813,384		185,789,339	106
Development	1,875,835,859	937,132,029	938,703,830		50
Total	5,244,859,904	4,491,945,413	938,703,830	185,789,339	86

The above table shows that the County Executive under spent on development vote by Kshs.938,703,830 or 50% of the approved budget but over spent on recurrent vote by Kshs.185,789,339 or 6% of approved budget.

Further, the under expenditure means that some of the projects earmarked for development were not implemented during the financial year which affect service delivery to the residents of Kirinyaga County.

In addition, the statement of receipts and payments for the year ended 30 June 2017 reflects total payments of Kshs.4,491,945,414. However, a review of payment records and vote book maintained by the County revealed that payments totaling Kshs.188,307,108 paid to individuals and entities were charged on non-voted items described as 'system required expenses (2990100) and expenses items (299105 and 6740101). These payments were therefore not classified as required by Regulation 99 of the Public Finance Management (County Governments) Regulations, 2015 which states that the classification of transactions should be based on standard chart of accounts approved by the National Treasury.

Consequently, the accuracy of the expenditure for the year under review could not be confirmed and are not in line with the PFM, Act 2012.

1.2 Recurrent Budget

The summary statement of appropriation; recurrent indicate that during the year under review, the County Executive of Kirinyaga provided Kshs.3,369,024,047 for recurrent expenditure against actual expenditure of Kshs.3,554,813,384 resulting in over expenditure of Kshs.185,789,339 or 6% of the budget.

However, a re-computation of expenditure for the year revealed total expenditure of Kshs.3,554,644,384 resulting in unexplained variance of Kshs.169,000. Analysis of budgeted against actual expenditure is as follows;

Components	2016/2017 Budget-Kshs.	2016/2017 Actual Expenditure-Kshs.	Under absorption-Kshs.	Over expenditure Kshs	Absorption rate %
Compensation of Employees	2,126,195,667	2,134,561,139		8,365,472	100
Use of Goods and Services	536,858,942	587,446,559		50,587,617	109
Transfers to other government units	541,065,015	568,383,525		27,318,510	105
Other grants and transfers	105,064,898	101,856,164	3,208,734		97
Acquisition of assets	59,739,525	162,381,997		102,642,472	272
Finance cost-loan interest	100,000	15,000	85,000		15
Total	3,369,024,047	3,554,644,384	3,293,734	188,914,071	106

As the above table shows, the County Executive over spent by Kshs.185,789,339 or 6% of the budget. This implies that the management diverted some of the development funds to finance it recurrent budget thus denying residents of Kirinyaga development projects.

2.0 Acquisition of Assets

2.1 Budgetary Allocation

The statement of receipts and payments for the year ended 30 June 2017 reflects acquisition of assets expenditure of Kshs.1,061,341,323 against a budget of Kshs.1,858,459,682 and thus realized an under expenditure of Kshs.797,118,359 or 43% of the budget. No explanation was provided for the underperformance which affects implementation of planned projects and service delivery to the residents of Kirinyaga County.

2.2 Acquisition of Land

Note 17 to the financial statements on acquisition of assets reflects a figure of Kshs.3,034,000 under acquisition of land. The payments were in respect of purchase of three parcels of land from vendors as follows;

Pv. No.	Date	Payee	Amount (Ksh)
4345	01/11/16	Elephas Njera Gachoki	784,000
5376	19/04/17	Simon Magu Gachoki	1,100,000
5127	10/03/2017	Rose Wanjira Wanjohi	1,150,000
		Total	3,034,000

However, ownership documents, valuation reports and certificate of search were not provided for audit verification. Further, an amount of Kshs.1,150,000 was charged on sub item 2990105 (expenses) recurrent vote instead of being captured under development expenditure.

Consequently, the accuracy and propriety of payments of Kshs.3,034,000 during the year under review could not be confirmed.

2.3 Grain Drying and Storage Facility at Kiaga, Kirinyaga Central

Records made available indicate that a grain drying and storage facility at Kiaga-Kirinyaga Central Constituency initiated by the National Government was handed over to County Government of Kirinyaga in 2015. The handing over report indicated that the National Government constructed the facility at a cost of Kshs.32,324,075. However, at the time of handing over, the following works were indicated as incomplete or had not started.

- Electrical installations and internal wiring
- Provision of 3 phase service line and standby generator
- Part of external drainage works – sewerage and storm water disposal not done
- Provision of drier support equipment
- Procurement of wheeled tractor to operate the drier in the period before electrical installations and internal wiring works are done.

In an effort to complete the above project, the County Executive procured for works as follows;

(i) Electrical works

According to evaluation report, quotations ref. no. CGK/SCM/ALF/14/RT/2015-2016/VOL.1 were evaluated and awarded to a Nairobi based company M/s Limwa Agencies Ltd at a cost of Kshs.3,284,594. During the year under review a total of Kshs.2,600,000 was paid to the contractor. However, no completion certificates, bills of quantities and details of works done were provided. Further, an inspection carried out on 9 January 2018 revealed that the following works had not been done despite being included in the contract.

- Fire detection and alarm system valued at Kshs.1,015,855
- Lightning protector for air termination and downward conductor, machinery and equipment at a cost of Kshs.646,125.
- Four-way flush mounted consumer unit valued at Kshs.268,250.

The County Executive therefore paid an amount of Kshs.1,930,230 for works not done.

Further, the audit revealed that the County Executive had not addressed all the outstanding activities outlined in the transfer document mentioned above among them, a standby generator, provision of drier support equipment and procurement of services of a wheeled tractor in preparation of the intended operationalization of the facility.

It was also noted that the County Executive had not installed the mobile drier in the facility which was still lying unutilized outside the Kirinyaga County Commissioners' offices. The audit revealed that the original works were abandoned and the County Executive intended to convert the facility into a banana market, where a banana producing group, had been identified to occupy part of the storage area. The remaining part was reserved for fish feed manufacture upon which the County Executive procured a small size animal feed mixer, peletisizer and a fish feed drier, which were found in the facility. The continued failure by the County Executive to operationalize the facility for the intended purpose has denied the community and residents the intended benefits despite the enormous resources spent on this project.

(ii) Contract for Water and Sewerage System

Records made available indicated that the County Executive awarded tender for water and sewerage system through request for quotations method. Five (5) firms submitted their bids and the lowest evaluated bidder, was awarded the tender at a contract sum of Kshs.1,498,500 and as at 30 June 2017 full contract sum had been paid. However, a review of quotations and completed confidential questionnaire forms revealed that all the five (5) firms shared same postal address number raising doubt on the validity and regularity of the process used to identify the contractor.

Further, although section 1.5 (3) of the handing over report of the facility indicated that external drainage works, sewerage and storm water disposal had not been done, an

inspection carried out on 9 January 2018 revealed that the National Government had completed construction of a septic tank for the project yet the county Executive awarded a new contract for the same works at a sum of Kshs.1,498,500.

The management has not provided explanations for the poor handling and apparent loss of funds incurred in respect of the grain drying and storage facility.

2.4 Upgrading of Wang'uru Stadium

Included in the acquisition of assets figure of Kshs.1,061,341,323 as disclosed in note 17 to the financial statements is an expenditure of Kshs.233,618,888 incurred on construction of buildings. The figure of Kshs.233,618,888 includes an amount of Kshs.1,483,612 paid to a construction company for upgrading of Wang'uru Stadium. The contract ref. No. CGK/SCM/MCGSS/046/RT/2015-16/Vol.1 was awarded to the company on 27 May 2016 through restricted tendering method. However, inspection and acceptance committee certificates, progress reports, interim and completion certificates were not provided in support of the payment. Further physical verification carried out in January 2018 at the stadium could not confirm the works that were carried out.

Consequently, the propriety of expenditure of Kshs.1,483,612 incurred on the stadium could not be confirmed.

2.5 Purchase of Land for the Construction of County Headquarters at Kutus Town

(i) Expression of Interest (EOI)

Records made available for audit indicated that an advertisement for expression of interest (EOI) for sale of parcel of land to the County Government of Kirinyaga for construction of County Headquarters was placed in the Nation Newspaper of 7 June, 2014. However, letter Ref No. KRG/C/LND/18/4 of 23 May, 2014 addressed to a private valuer, and undated tender evaluation committee for purchase of land No. MIN. NO. 4/2014 indicates that a valuer for the headquarters parcel of land number Kabare/Nyangati/1673 had been identified before the advertisement for expression of interest which was issued on 17 June 2014 for sale of the land measuring about 0.405 Ha in Kutus Township.

Further, the resultant valuation survey report for the same parcel of land indicated that the title was free from all encumbrances as per official search certificate No. 378114 dated 23 May, 2014. The valuation report further stated that "However, a restriction is registered stopping dealing until ownership claimed by Kirinyaga County Government is ascertained" dated 28 March, 2014. The valuer's certificate recommended a sum of Ksh.4,500,000 to be fair and reasonable current open market value for sale/ purchase purposes.

The evaluation committee meeting noted and recommended that, only one (1) bidder expressed interest to sell land (parcel number Kabare/Nyangati/1673) and that the vendor offered to sell the land and which was awarded at Ksh.4,000,000. Further, letter Ref. No.

KC/T&I/VOL.1./8/56 of 12 May 2014 from the Ministry of Transport and Infrastructure requested the head of supply chain management to procure the services for environmental impact assessment and/or NEMA inspection and approval on construction of County Headquarters at Kutus on plot Number Kabare/ Nyangati/ 1672 and 1673. By this date the land parcel number 1673 as indicated above had not been procured.

Available information indicates that the land was paid for in two instalments of Kshs.400,000 being paid on 15 October, 2014 to an appointee who had the power of attorney from the vendor and the final instalment of Kshs.3,600,000 paid on 31 October, 2014 to the vendor. The title deed for the land was issued on 18 December, 2014.

From the foregoing, the County Executive had earmarked land parcel numbers Kabare/Nyangati/1672 and 1673 for the construction of County Headquarters by 12 May, 2014 where upon the valuer was instructed to value the parcel on 23 May, 2014. This was done before the advertisements for expression of interest for sale of parcels of land to the County Government of Kirinyaga dated 7 June, 2014. Similarly, invitation for tender for proposed construction of Kirinyaga County Headquarters at Kutus and related works of 7 June, 2014 was done before the land was acquired.

(ii) Purchase of Own Parcel of Land

Records made available by the County Executive of Kirinyaga Ministry of lands, Housing and Urban Development letter Ref. No. LND/KC.3/PP/28 of 28th March, 2014 indicates that land parcel No. Kabare/Nyangati/1673 had been curved out of larger parcel of land No. Kabare/Nyangati/68 (measuring about 6.11Ha) among others which had been acquired by the defunct Kirinyaga County Council and for which compensation had been paid for. It was not explained when and under what circumstances the parcel of public land was alienated and registered in the name of a private developer. The County Government of Kirinyaga therefore appears to have bought its own of parcel of land and paid Kshs.4,000,000 for it.

2.6 Construction of Kirinyaga County Headquarter Offices

Award of the Contract

A review of records made available in respect of tender No. CKG/ HDQ/01/2013/2014- for construction of Kirinyaga County Headquarters revealed that the tender committee adjudicated the tender on 7 August, 2014. Thirty (30) tenderers paid for the tender documents out of which, seventeen (17) bid documents were returned.

The engineer's estimates for the construction amounted to Ksh.419,218,870.00. Information on evaluation of bids indicate the following: -

Name of Bidder	Evaluated Amount Kshs.	Variance from the Engineer's Estimates Kshs.	Ranking
New Age Developers	317,006,235	102,122,635	3

NK Brothers	369,909,101	49,309,108	2
Jimro Enterprises	385,668,209	33,550,661	1

The contract for the construction works were therefore awarded to M/s Jimro Enterprises at a contract sum of Ksh.385,668,209 for being the only bidder within 10% variance from the engineer's estimates, and the contract period was set at 99 weeks.

However, the tender evaluation team appeared to have used engineer's estimates and deviation of quoted sums from engineer's estimates as the basis for awarding the contract contrary to Section 64 of the Public Procurement and Disposal Act, 2005 which stipulates that a tender is responsive if it conforms to all mandatory requirements in the tender documents. Further, the Act requires that evaluation and comparison should be done using the procedures and criteria set out in the tender documents and no other criteria shall be used. The management has not explained whether deviation from engineer's estimates was a set criterion in the tender documents. The County appears therefore to have lost a sum of Kshs.68,661,974 being the difference of contract sum of Kshs.385,668,209 and the lowest bidder which had quoted a total of Kshs.317,006,235.

Award of Parallel Contracts for Works already Contracted Out

Further, a review of the execution of the contract indicates that the contract price of Kshs.385,668,209 included a sum of Ksh.12,307,660 being total cost for the construction of perimeter fence and gates. However, another contract for the same proposed perimeter fence to the County headquarters was again irregularly awarded to another contractor at contract price of Kshs.6,495,067.35.

The contract price of Kshs.385,668,209 also included a sum of Kshs.2,000,000 provisional sums for relocation of existing chief's camp. However, another contract of Kshs.6,497,530 was awarded to yet another contractor for the relocation of Chief's offices as per tender documents adjudicated on 23 June, 2014 which resulted in duplication of contract. In addition, no documentary evidence was provided for audit review in respect to provisional sums in the initial contract totaling Kshs.49,500,800 comprising of relocation of existing Chief's camp of Kshs.2,000,000, civil works of Ksh.7,000,000, supervision and stationary expenses of Kshs.2,500,000, fittings and fixtures of Ksh.3,000,000, contingencies of Ksh.20,000,000, fluctuations for Ksh.15,000,000, and preparation of NEMA report and approvals for Ksh.800,000.

According to records made available, the contract period was to take 99 weeks commencing August 2014 with expected completion date of 31 July 2016. However, a review of the project and inspection carried out in December 2017 revealed that the project was still incomplete. The progress of work has been considerably slow thus external works valued at Kshs.11,732,600 had not been completed while forty five (45) No. reception desks (size 4500 by 600 by 1200mm fabricated in mahogany veneered block board) worth Kshs.7,425,000 had not been installed.

As of December 2017, one hundred and fifty-four (154) weeks or 156% of the contract time had elapsed. It is not clear whether the contract period was extended, and the management has not provided explanation for the anomalies noted.

2.7 Construction of Dispensaries

2.7.1 Unprocedural Procurement – Construction of Dispensaries

During the audit, fourteen (14) projects with a total contract sum of Kshs.171,224,198 were inspected out of which Kshs.14,688,375 was paid during the year under review and charged on construction of building account. Examination of contracts awarded revealed that the contract sum exceeded the maximum threshold of Kshs.4,000,000. A review of records indicated that tenders in respect of construction of the fourteen (14) dispensaries were procured through request for quotation method contrary to the provision of Section 105 of the Public Procurement and Asset Disposal Act, 2015 which prescribe that procurement of works above value of Kshs.4,000,000 should be through open tender method.

No reason was provided for the failure to adhere to the law. Consequently, the management was in breach of the law.

2.7.2 Project Verification – Dispensaries

Note 17 to the financial statements for the year ended 30 June 2017 reflects construction of buildings figure of Kshs.233,618,888 which includes an amount of Kshs.14,688,375 spent on construction of dispensaries. However, bills of quantities, contract agreements, progress reports, site meeting minutes and ownership documents for land on which the dispensaries are located were not provided for audit review. During the audit, physical verification of the projects was carried out and the findings are given below:-

No.	Project Name	Ward	Contract Price Kshs	Amount paid 2016/2017 Kshs	Remarks
1	Njukiini Dispensary	Njukiini Ward	12,980,968	2,975,057	<ul style="list-style-type: none"> • No floor • Doors and windows not installed • Wrong ceiling board fixed instead of PVC ceiling that was the bill of quotation • Constructor not on site

No.	Project Name	Ward	Contract Price Kshs	Amount paid 2016/2017 Kshs	Remarks
2	Kimweas Dispensary	Njukini Ward	13,027,368		<ul style="list-style-type: none"> • A lintel level • Not fenced though Ksh.4,600.00.00 had been allocated for completion and fencing • Contractor not on site
3	Kibuti Dispensary	Karumandi Ward	12,992,568	1,799,602	Documents not provided
4	Kiandai Dispensary	Baragwi Ward	11,971,900		<ul style="list-style-type: none"> • At Lintel level • Constructor not on site
5	Kamwana Disp	Ngariama	12,924,621		Documents not provided
6	Ndindiruku Disp	Tebere Ward	12,969,368	2,999,644	<ul style="list-style-type: none"> • Not plastered. • Doors and windows not fitted • Blundering not done – not ceiling fixed • Floor not done • Contractor not on site.
7	Ndaba Dispensary	Kiangai Ward	11,537,350	856,510	
8	Kianjiru Dispensary	Not shown	11,275,335		<ul style="list-style-type: none"> • Structure complete • Electrification not done
9	Mathia Dispensary	Kiine Ward	12,303,888	401,719	Documents not provided
10	Kiamanyeki Dispensary	Not shown	11,739,872	2,206,113	<ul style="list-style-type: none"> • About 50% complete • Wrong ceiling board fixed – PVC ceiling to replace the ceiling board • No water installed • No septic tank constructed
11	Kianyaga Disp	Not shown	12,844,625		Documents not provided
12	Karumandi Disp	Michagara Ward	11,351,805		Documents not provided

No.	Project Name	Ward	Contract Price Kshs	Amount paid 2016/2017 Kshs	Remarks
13	Wamumu-Ndanda Dispensary	Not shown	11,881,600		Documents not provided
14	Karai Dispensary Kirinyaga South	Not shown	11,422,930		Documents not provided
15	Muchangara			3,449,730	<ul style="list-style-type: none"> • Structural works complete. • Roofing timber installed • Iron sheets not fixed exposing the timber to rain and sunshine. • External and internal finishes not done.
			171,224,198	14,688,375	-

The above table indicate that most of the projects are incomplete. The objective of the project may not be achieved thus hampering service delivery of provision of healthcare to the residents of Kirinyaga County.

2.7.3 Stalled Projects

Physical verification of the Ministry of Health Projects further revealed construction of several projects have stalled, incomplete or are not operational as detailed below:-

Project Name	Amount Paid Kshs.	Remarks
Kang'aru Health Centre completion of ESP project.	1,625,402	No contract sum revealed. Handing over report from the National Government not provided.
Nguguini Dispensary –Construction and Equipping laboratory	970,000	Total contract sum not provided.
Joshua Mbui Dispensary – Construction and Equipping laboratory	5,142,220	Reasons for not operationalizing the facility not provided.
Karima New Dispensary construction of the Dispensary	970,000	Total contract sum not provided
Kianjege Dispensary- Renovation of maternity ward.	968,720	Total contract sum not provided

Project Name	Amount Paid Kshs.	Remarks
Construction of Togonye Dispensary	1,966,687	Total contract sum not provided.
Kianjiru Dispensary – construction of Dispensary	11,275,335	Contract sum not provided
Kiamwathi Dispensary construction	2,910,000	Total contract sum not provided.
Kiaritha Dispensary	1,000,000	Project Scope of work and file not provided
Gathuthuraa Dispensary-fencing and landscaping	970,000	Total contract sum not shown
Construction of Toilet at Thiba	485,000	Not connected to the septic tank Total contract sum not known.
Kiawakara Dispensary	1,940,000	Project file and scope of works not provided.
Kiawagana Health centre not Renovation of Esp project shown	Not indicated	Handing over report of the Esp project from the National Government to the County Government not provided.

Further interim certificates and final completion certificates, project files and project reports of works done for all the projects were not provided for audit review.

Consequently, the propriety and value for money in respect of these projects could not be confirmed.

3.0 Construction of Roads

Note 17 to the financial statements for the year ended 30 June 2017 reflects construction of roads figure of Kshs.308,026,780. However, the payment register and other records maintained by the County Executive reflect expenditure totaling Kshs.293,484,991 resulting in unexplained variance of Kshs.14,541,789. Other observations made on the expenditure are detailed below;

- i. A review of procurement records indicated that construction works was not done in transparent and competitive way. Some of the bidders for the tenders shared postal and physical address, directors, key personnel and financial statements as per the documents submitted an indication that the process was irregular.
- ii. Several tenders were split to lesser contract values below Kshs.4,000,000 for the purpose of avoiding the use of open tendering method contrary to Section 54 of the Public Procurement and Asset Disposal Act, 2015 which prescribe

that an entity should conduct procurement using open tender method as per the thresholds set out in the First Schedule of the Regulations, 2016.

- iii. A review of bill of quantities for the construction revealed that billboards worth Kshs.3,037,000 were not erected on the roads while provisional sums totaling Kshs.19,530,142 were not valued and itemized in the payments.

As a result, the propriety and regularity of the expenditure of Kshs.308,026,780 incurred on construction of roads for the year ended 30 June 2017 could not be confirmed.

4.0 Civil Works

4.1 Discrepancies

Note 17 to the financial statements reflects a figure of Kshs.427,181,459 in respect of construction of civil works incurred during the year under review. However supporting schedules presented for audit revealed total expenditure of Kshs.325,497,131. The resultant variance of Kshs.101,684,328 was not reconciled or explained.

Further, a review of records in respect of the payments revealed that the supporting documents were undated including inspection and acceptance report, and contract agreements while provisional sums of Kshs.14,307,400 in the bill of quantities was not supported.

As a result, the propriety and accuracy of the construction of civil works figure of Kshs.427,181,459 for the year ended 30 June 2017 could not be confirmed.

4.2 Kianyaga Water Project

Construction of civil works expenditure of Kshs.427,181,459 includes Kshs.1,700,000 paid in respect of Kianyaga Water Project. The county had a supplementary budget of Ksh.3,000,000 for the project in 2016/17 meant for paying for materials and labour. It was a rolled over project from previous year. Records indicate that pipes worth Kshs.4,000,000 were also bought by the Agriculture Department during the year for the same project. Information available indicated that the pipes were received by a personal assistant to the area Member of County Assembly and stored at a local tea buying center. No evidence and proof was however provided that these pipes were installed as had been planned. During the physical verification of project in December 2017, it was found that the project was not complete. Interim and completion certificate by water engineer or inspection and acceptance committee to confirm the work done were not availed for the works completed.

Consequently, the propriety of expenditure of Kshs.1,700,000 in respect of Kianyaga Water project could not be confirmed.

4.3 Mwea-Kutus/Mwea Makima Water Project

During the year under review, the County Executive paid Ksh.24,678,595 in respect of this project. The project was included in the county development plan as a flagship project and a budget of Ksh.87,000,000 set aside in 2016/17 period. Procurement records indicate that the contract was awarded irregularly to a firm that was not qualified and at Kshs.25,177,093 more than what the lowest bidder quoted leading to loss of funds by the County Executive.

The management has not provided explanation for the possible overlap of projects and resultant loss of public funds.

4.4 Kangai Water Project

The county had allocated Kshs.7,070,000 for the above project and an amount of Kshs.4,537,795 was paid vide PV No.5946 of 22 March 2017 for purchase of various pipes of between 1 and 3 inches that were installed. During project verification, it was noted that there was no source of water and therefore the pipes were laid on the ground awaiting future budget allocation to connect the Kangai pipeline. The pipes are therefore at risk of vandalism and destruction. The county implemented this project without identification of source of water, an indication of poor planning and implementation of the project.

4.5 Kinyaga Water Project

During the year under review, the County Executive through the Department of Water incurred a total of Kshs.5,166,208 in respect of this project. This was a roll over project from the previous year. Budget provision of Kshs.2,385,170 had been set aside by the Water Department for installation of a pipeline in 2016/2017. However, relevant records including project file, design and work done were not made available for audit verification. Further, the County's Department of Agriculture paid out Kshs.601,880 on 11 June 2017 through payment voucher number 8062 in respect of the same project resulting in overlap of works done by the two departments. Further, the consumers are yet to receive water and the pipeline has not been commissioned.

In the absence of project file, bills of quantities and progress reports including interim certificates, the propriety and value for money of Kshs.5,768,088 spent on this project during the year ended 30 June 2017 could not be confirmed.

4.6 Implementation of Other Water Projects

An audit inspection of sampled projects revealed the following findings: -

	Project Name	Description	Total Budgeted Amount Kshs.	Amount paid 2016/2017 Kshs.	Remarks
1	Gatondo/Rurii Water Project	Purchase of UPVC pipes	3,395,000	1,504,813	No progress report and payment vouchers
2	Kirimara Water Project	Purchase of pipes	3,000,000	-	Payment vouchers, progress report and project file not provided
3	Kanjo Irrigation Water Project	Purchase of pipes and micro tunneling	-	2,869,785	Project file and progress reports were not provided
4	Kiamuka Irrigation Water Project	Provisions of pipes, tanks and micro tunneling	4,500,000	6,113,344	Project is about 80% complete
5	Kianduma Water Project	Construction of intake by a contractor		2,061,720	<ul style="list-style-type: none"> - Project started in 2014/2015 - Pipes bought at a cost of Kshs.8,000,000 in 2015/2016 still not laid on the ground - No certificates or progress report provided
6	Thirikwa Water Project	Purchase of pipes	6,000,000	6,166,234	<ul style="list-style-type: none"> - Project started in 2014/2015 and pipes worth Kshs.8,000,000 - Laying of pipes on the ground not done - No certificates or progress reports
			Total	18,715,896	

A review of approved budget further revealed that many water projects were under funded or implemented without proper planning thus several projects may not be completed to serve the intended purpose. Therefore, the County Executive did not obtain value for money on expenditure of Kshs.18,715,896 incurred in the year in respect of these incomplete projects.

4.7 Splitting of Orders- Purchase of Water Tanks

Included in civil works expenditure of Kshs.427,181,459 as disclosed in Note 17 to the financial statements is expenditure totaling Kshs.17,203,232 in respect of Kiangai borehole and purchase of water tanks. During the year under review, the County Executive procured plastic water tanks worth Kshs.17,203,232. However, a review of procurement records revealed that the tanks were purchased through use of request for quotations method by splitting of tenders awarded to several suppliers instead of open tender method recommended in the annual procurement plan. No justification has been given for the failure to adhere to procurement regulations.

Further, three hundred and twenty five (325) tanks worth Kshs.2,405,000 paid for on 9 May 2017 vide payment voucher no. 7480 were not recorded in stores ledger and therefore it was not possible to confirm if the tanks were supplied and accounted for.

As a result, the propriety of expenditure totaling Kshs.17,203,232 in respect of purchase of tanks during the year ended 30 June 2017 could not be confirmed.

4.8 Unsupported Payments for Pipes and Fittings

Included in construction and civil works expenditure of Kshs.427,181,459 as disclosed in Note 17 to the financial statements, is an amount of Kshs.7,665,909 in respect of purchase of pipes and fittings from six (6) suppliers. However, the payments were not supported with payment vouchers and procurement records including tenders, evaluation minutes and contract agreements.

Consequently, the propriety and validity of Kshs.7,665,909 in respect of purchase of pipes and fittings for the year ended 30 June 2017 could not be confirmed.

5.0 Floodlight Projects

Note 17 to the financial statements reflects construction and civil works expenditure of Kshs.427,181,459 out of which, Kshs.5,875,800 was paid to a construction company on 30 June 2017 vide payment voucher No.8157.

The payment was in respect of installation of floodlights in Kimunye, Kagumo, Thiba and Kiangwachi markets. However, bills of quantities, tender notices, evaluation minutes and contract agreements in support of the payment were not provided for audit verification.

As a result, the propriety of the expenditure of Kshs.7,665,909 paid to the firm in the year under review could not be confirmed.

6.0 Single Sourcing of Exhauster Services

Included in the construction and civil works figure of Kshs.427,181,459 as disclosed in note 17 to the financial statements is an amount of Kshs.1,450,000 incurred in respect of provision of exhauster services which was paid by way of imprest. Further, no records were provided on how the supplier was identified an indication that the service was single sourced contrary to the requirements of Section 91 of the Public Procurement and Asset Disposal Act, 2015. The details of the payments made for the exhauster services is detailed below;

PV No	Date	Details	Amount (Ksh)
4540	20/2/2017	C. Gichohi – Exhausting of toilets. Invoice of 24/17/2017. No quotations. Single sourced. Awarded to Riskin Ltd	200,000
1199	21/10/2016	J. Njagi – 2nd phase toilet exhaustion. Invoice of 19/9/2016. Awarded to Riskin Ltd	160,000
1023	6/12/2016	J. Njagi – 3rd phase toilet exhaustion. Invoice of 7/11/2016. Was single sourced. Awarded to Riskin Ltd	260,000
1822	29/11/2016	C. Gichohi – Dumpsite clearing/alleviation by Blue Access ltd on 10/11/2016. Single sourced.	200,000
7505	17/5/2017	C. Gichohi – Toilet exhaustion. Cash sale of 12/4/2017. Single sourced and exceeds cash payment limit Kshs. 30,000 . Awarded to Riskin Ltd	294,000
3341	20/1/2016	T. Gitere – Repairs of Wang’uru animal holding grounds. Casuals paid Kshs. 40,000. Purchase of equipment at Kshs. 51,000 vide c/sale of 6/1/2017	96,000
4539	20/2/2017	C. Gichohi – Tea, lunch and evening tea on 29/11/2016 on sensitization of cleaning staff. Firm not pre-qualified. No quotation & exceeds cash purchase limit	200,000
1403	7/11/2016	W. Kirnyu – Purchase of design materials. Exceeds cash purchase amount. No quotations. Single sourcing. C/sale of 15/10/2016	40,000
			1,450,000

Consequently, the propriety of exhauster services expenditure of Kshs.1,450,000 for the year ended 30 June 2017 could not be confirmed.

7.0 Purchase of Vehicles and Other Transport Equipment

Note 17 to the financial statements reflects purchase of vehicles and other transport equipment figure of Kshs.9,800,000. The amount was paid to a firm for supply of wheeled backhoe loader. The firm was awarded the contract on 5 January 2017 following notice of tender No.CGK/SCM/MEWFNR/01/09/2016-2017 of which only two firms submitted bids. Although the firm was awarded the tender for being the lowest evaluated bidder, the supplier was not in the list of registered suppliers. Further, no evidence was produced indicating that the unsuccessful tenderer was notified of the tender outcome. Further, the payment was charged to recurrent account described as system required expenses item (2990100), expenses sub item (2990105) instead of development vote. No explanation was provided for the anomalies noted.

8.0 Preparation of Spatial Plans

Note 17 to the financial statements reflects a figure of Kshs.12,000,000 in respect of research studies, project preparation, design and supervision. The amount was paid to a consultancy firm following request for proposal tender process in which nine (9) firms

submitted bids for the consultancy. However, the payment was charged to recurrent vote described as 'system required expenses' instead of development vote account.

Further, the County Executive did not seek for guidance from the National Land Commission before awarding the tender. In addition, contract agreement detailing milestones to be achieved and contract period were not presented for audit review. A review of records further revealed that previously the County Executive spent Kshs.11,000,000 towards digital mapping of four towns in the county which was suspended before conclusion of the project due to various anomalies. Therefore, money spent on the project was lost.

Consequently, the propriety and value for money on expenditure of Kshs.12,000,000 incurred during the year ended 30 June 2017 could not be confirmed.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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.

Those charged with governance are responsible for overseeing the County Executive's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

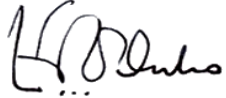
The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for giving an assurance on the effectiveness of the County Executive's 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 going concern 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 County Executive's ability to continue 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 continue 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 statement.
- 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

Nairobi

16 July 2018