

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF KIAMBU FOR THE YEAR ENDED 30 JUNE, 2020

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 58, which comprise the statement of assets and liabilities as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows and summary statements of appropriation-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. 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the County Executive of Kiambu as at 30 June, 2020, 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.

Basis for Qualified Opinion

The financial statements reflect several balances with significant discrepancies as follows:

1.0 County Own-Generated Receipts

1.1 Outstanding Revenue Arrears

Examination of revenue records confirmed the existence of arrears of revenue on property rates and ground rent totalling Kshs.915,358,207.50 as at 30 June, 2020. The balance was Kshs.1,243,121,684.50 less than the sum of Kshs.2,149,479,892 reflected in records as outstanding as at 30 June, 2019, one year earlier. However, schedules indicating how balances for ground rent and house rent changed during the year under review were not provided for audit. In addition, ageing analyses for all the arrears were similarly not provided for audit review. As a result, it was not possible to establish how long the arrears had remained uncollected.

In view of the missing information, the accuracy, validity and completeness of the own-generated receipts balance totalling Kshs.2,466,345,109 reflected in the statement of receipts and payments, and the outstanding receipts totalling Kshs.915,358,207.50 as at 30 June, 2020 reflected in revenue records could not be confirmed.

1.2 Unreconciled Building Plans Approval Revenues

Examination of records on building plans approval revenues indicated that the Department of Lands, Housing, Physical Planning and Urban Development used two separate software systems to approve the plans and receipt and account for revenues collected thereof. The plans were approved in the E-dams and charges levied for receipting through County Pro. Review of the two systems revealed discrepancies between the amounts invoiced by E-dams and the actual receipts recorded in County Pro. In some instances, amounts invoiced in E-dams were not recorded.

For example, invoices totalling Kshs.6,069,989 reflected in both County Pro and E-dams' systems were not reflected as paid into County Pro. Further, invoices totalling Kshs.6,832,493 reflected in E-dams did not have matching or corresponding records in the County Pro system. As a result, E-Dams revenues were higher than those reflected in County Pro eventually reflected in the financial statements.

In view of the unreconciled data, the accuracy and completeness of the revenue data reported in the financial statements could not be confirmed.

2.0 Cash and Cash Equivalents

The statement of assets and liabilities reflects a cash and cash equivalents balance totalling Kshs. 761,057,633 comprising of a bank balance of the same amount and a nil cash balance. However, the Integrated Financial Management Information System (IFMIS) ledger as at 30 June, 2020 reflects different balances in respect to the two items, as summarized below:

	Financial Assets	Financial Statements Balance (Kshs.)	IFMIS Report Balance (Kshs.)	Variance (Kshs.)
1.	Bank Balances	761,057,633	236,699,992	524,357,641
2.	Cash Balances	-	7,015,373	(7,015,373)

No explanation has been provided by Management for the discrepancies. As a result, the accuracy and completeness of the cash and cash equivalents balance totalling Kshs.761,057,633 reflected in the statement of assets and liabilities has not been confirmed.

3.0 Misclassified Expenditure

Examination of expenditure records indicated that transactions totalling Kshs.810,749,024 relating to the five items tabulated below were charged to incorrect accounts:

	Sub-item Description	Economic Item (Account Code)	Amount (Kshs.)
1.	Temporary Imprest	6760103	339,369,658
2.	Salary Control Account	7320199	189,668,919
3.	Ministry Headquarters Development Bank Account	6540101	172,630,010
4.	General Suspense Account	6780101	109,080,437
	Total		810,749,024

As a result of the misclassified transactions, the respective balances are not fairly stated in the financial statements.

4.0 Use of Goods and Services

4.1 Payments for Airtime and Data Bundles

The statement of receipts and payments reflects payments for purchase of goods and services totalling Kshs.1,866,411,228 as further disclosed in Note 12 to the financial statements. The balance includes communication, supplies and services payments totalling Kshs.29,904,493 which in turn include cash payments totalling Kshs.19,528,653 incurred on purchase of airtime and data bundles. However, the respective payments were not supported with any documentary evidence, including electronic tax register receipts issued by the respective vendors.

Consequently, the occurrence and propriety of the expenditure totalling Kshs.19,528,653 incurred on communication, supplies and services could not be confirmed.

4.2 Domestic Travel and Subsistence

Disclosed in Note 12 to the financial statements under use of goods and services is an expenditure totalling Kshs.204,729,044 incurred on domestic travel and subsistence. However, examination of sampled records on the expenses revealed the following anomalies:

4.2.1 Facilitation of Members of County Assembly and County Assembly Staff

Allowances totalling Kshs.58,923,400 were paid to Members of the County Assembly of Kiambu (MCAs) and County Assembly Staff on activities designated as benchmarking trips, retreats, and consultative meetings in Naivasha and Mombasa. Management did not explain why the County Executive funded these trips whereas the County Assembly had its own budget for such activities.

In addition, the following anomalies were noted in regard to expenditures reported to have been incurred at two of the events:

- i. Payments totalling Kshs.1,739,000 to MCAs reported to have attended a Supplementary Budget workshop in Naivasha were classified as research expenditure. In addition, the list of participants and records on their travel to the destination were not provided for audit review.

- ii. Similarly, payments totalling Kshs.1,769,600 were made to staff of the County Assembly of Kiambu who attended a capacity building workshop in Mombasa. The payments were not supported with relevant records such as approvals for the workshop, list of attendees, the workshop's programme and signed attendance lists.

Consequently, the regularity of the expenditure totalling Kshs.58,923,400 and the propriety of payments totalling Kshs.3,508,600 included therein could not be confirmed.

4.3 Hospitality, Supplies and Services

Disclosed in Note 12 to the financial statements under use of goods and services is expenditure totalling Kshs.76,574,068 on hospitality, supplies and services. The balance includes expenses totalling Kshs.8,956,220 spent through imprests issued to officers to facilitate various events in the County. However, supporting documents including event venues and dates, activities, attendance lists and reports were not provided for review.

In the absence of relevant evidence, the occurrence, propriety and validity of expenditure totalling Kshs.8,956,220 spent on hospitality, supplies and services could not be confirmed.

4.4 Routine Maintenance – Vehicles and Other Transport Equipment

Disclosed under Note 12 to the financial statements are payments totalling Kshs.63,797,072 relating to routine maintenance – vehicles and other transport equipment. The expenditure includes, Kshs.1,216,754 paid to a company for repair of several motor vehicles.

However, the supplier's invoices were not dated. Further, mechanical reports from the Transport Department indicating defects identified on the vehicles were not presented for audit review. In addition, several Local Service Orders (LSOs) were issued before Request for Quotations were raised, and Tender Opening Minutes were dated after the issuance of the LSOs and the Quotations, which suggested that these documents were not valid.

As a result of these discrepancies, the propriety and validity of the expenditures totaling Kshs.1,216,754 reported to have been incurred on motor vehicle repairs could not be confirmed.

4.5 Specialized Materials and Services

Disclosed in Note 12 to the financial statements under use of goods and services are specialized materials and services expenses totalling Kshs.290,864,514. The amount includes Kshs.1,006,000 and Kshs.1,042,500 spent on purchase of a saloon car and vehicle clamping equipment, respectively. However, review of procurement records revealed that the respective bids were opened on 30 February, 2019, yet the said month lasted for 28 days only. Further, bid documents for the lorry clamping equipment were not dated and as a result, their authenticity could not be confirmed.

In view of these anomalies, the propriety and validity of the expenditure totalling Kshs.2,048,500 incurred on purchase of the saloon car and the vehicle clamping equipment could not be confirmed.

5.0 Pending Bills

Note 6.9(1) on other important disclosures to the financial statements reflects pending bills totalling Kshs.4,295,022,009 as at 30 June, 2020. The balance is comprised of pending accounts payables totaling Kshs.3,192,062,159 pending staff payables totalling Kshs.4,734,941 and other pending payables totalling Kshs.1,098,224,909, as reflected in **Annexure 2, Annexure 3 and Annexure 4** of the financial statements respectively.

Examination of records on the balance disclosed various anomalies, as follows:

5.1 Lack of Analysis

The pending bills balance reflects a net increase of Kshs.2,168,887,342 from the sum of Kshs.2,126,134,667 reported as at 30 June, 2019. However, the change has not been analyzed in the annexures to show the identifies of the creditors as well as payments made and new payables arising in the year under review.

5.2 Pending Bills for 2017/2018 and Prior Years

According to the special report of the Auditor-General on pending bills, the County Executive had pending bills totalling Kshs.2,312,759,531 as at 30 June, 2018 comprised of eligible and ineligible bills totalling Kshs.1,831,618,030 and Kshs.481,141,501, respectively.

Information provided by Management indicated that eligible bills totaling Kshs.669,556,431 and ineligible ones totalling Kshs.32,437,557 had been paid as at 15 February, 2019. However, there were no records to confirm whether the ineligible bills were verified by the Pending Bills Verification Committee before they were paid, as recommended by The National Treasury. Further, an analysis of bills incurred in 2017/2018 and prior years was not provided for audit and as a result, their status could not be confirmed.

5.3 Pending Bills on Streetlights Project

Records presented for audit review indicated that the County Executive awarded several contracts for supply, installation, and commissioning of streetlights and flood masts in various streets and markets within the County. As at 30 June, 2020, total pending bills arising from the contracts amounted to Kshs.556,274,224, having accrued over the years, as summarized below:

	Financial Year	Amount Kshs.	Annual Change	% Change
1.	2015/2016	3,631,625	0	0
2.	2016/2017	5,880,168	2,248,543	62
3.	2017/2018	44,058,538	38,178,370	649
4.	2018/2019	487,114,988	443,056,450	1006
5.	2019/2020	15,588,905	(471,526,083)	(97)
	Total	556,274,224		

As the data shows, the largest increase totalling Kshs.487,114,988 occurred in 2018/2019.

Review of procurement records relating to the respective contracts revealed the following anomalies:

- i. Local Service Orders (LSOs) were not dated while appointment letters of members of the Tender Opening, Tender Evaluation and Inspection and Acceptance Committees were not provided. In addition, there was no evidence to show that the Head of Procurement was requested to provide a professional opinion on the procurements, as required by public procurement regulations.
- ii. Prequalification letters for the bidding firms, the quotations register, and letters of acceptance and regret to the successful and unsuccessful bidders, respectively, were not provided for audit review.
- iii. The total approved budget under Vote code 3110504 - other infrastructure and civil works for the 2018/19 financial year was Kshs.120,856,000 which included provisions for the street lighting projects. Management has not explained why the County Executive incurred expenditure totalling Kshs.487,114,988 against an approved budget of Kshs.120,856,000 only and thereby caused over-expenditure totalling Kshs.366,258,988.
- iv. Pending bills totalling Kshs.28,982,846 for 2016/2017 and 2018/2019 were not included in the list of pending bills provided for audit:

	Financial Year	Amount Kshs.
1.	2016/2017	1,390,418
2.	2018/2019	27,592,428
	Total	28,982,846

No explanation was provided for the omission of these bills from the list.

5.4 Pending Bills on Road Works

Records provided for audit indicated that pending bills on road construction and, rehabilitation and maintenance works totalled Kshs.731,541,477 as at 30 June, 2020. However, the following anomalies were noted on audit of bills totalling Kshs.367,417,241 sampled from the balance:

- i. The contracts were entered into without requisitions from user departments. Further, minutes of Tender Opening and Evaluation Committees and records to confirm appointments made to the two Committees were not provided for audit.
- ii. Records on bidders for the tenders including confidential business questionnaires and CR12 forms intended to provide information on owners of the bidding entities, and professional opinion by the Head of the Procurement Unit, were not provided for audit contrary to Public Procurement Regulations.

In view of the foregoing, the regularity, propriety, and value for money on the expenditure totalling Kshs.367,417,241 denoted in the bills could not be confirmed.

5.5 Unpaid Gratuity to Staff

Examination of staffing records revealed that the County Executive assessed but did not pay gratuity totalling Kshs.8,944,394 due on contracts for fifteen (15) employees that lapsed in the year under review. The sum comprised of net gratuity totalling Kshs.6,267,972 for the employees and Pay as You Earn (PAYE) tax amounting to Kshs.2,676,422 due to the Kenya Revenue Authority (KRA). Further, the two items were not included in the list of pending bills as at 30 June, 2020.

No explanation was provided for their omission.

5.6 Unremitted Statutory Deductions

Review of correspondence from various statutory bodies indicated that the County Executive delayed in remitting deductions and contributions owed to the National Social Security Fund(NSSF), Local Authorities Provident Fund (LAPFUND) and National Hospital Insurance Fund (NHIF) totalling Kshs.982,204,129 as at 30 June, 2020, as tabulated below:

	Institution Name	Amount Due (Kshs.)
1.	National Social Security Fund (NSSF)	1,755,225
2.	Local Authorities Provident Fund (LAPFUND)	154,591,337
3.	National Hospital Insurance Fund (NHIF)	827,612,792
	Total	982,204,129

Further, the unpaid statutory deductions were not included in the list of pending bills and the financial statements for the year under review.

No explanation was provided by Management for the failure to remit the deductions to the statutory bodies and include the unpaid balances in the list of pending bills as at 30 June, 2020.

The failure to remit the deductions was irregular. In addition to attracting penalties, the delay could adversely affect the welfare of the County Executive's employees.

In view of the insufficient disclosures provided, the accuracy, validity and propriety of the pending bills balance totalling Kshs.4,295,022,009 reported by the County Executive as at 30 June, 2020 could not be confirmed.

In addition, the large balance of pending bills may indicate 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.

Failure to pay for goods and services supplied slows down economic activity and may discourage private companies from trading with public entities. Further, unpaid bills adversely affect budgetary provisions for the subsequent years as they form a first charge on such allocations.

6.0 Fixed Assets

Disclosed at Annex 5 to the financial statements is a summary of fixed assets register which reflects assets with historical costs totalling Kshs.7,148,279,076 as at 30 June, 2019. The following anomalies were observed in relation to the balance:

6.1 Undisclosed Assets

Although available information indicated that the County Executive owns several parcels of land, only Waruhiu Agricultural Training Centre (ATC) land valued at Kshs.27,900,000 is reflected in the register and Annex 5 to the financial statements. Similarly, the County Executive has many buildings spread in various locations in the County but only twenty-six (26) have been listed in the register.

Further the inventory of computers and electronic equipment, computer accessories, office furniture and plant, machinery and specialized equipment was not presented for audit review.

In view of the omissions, the fixed assets register does not reflect all the assets owned by the County Executive as at 30 June, 2020 and is therefore incomplete. As a result, the accuracy, valuation and completeness of the fixed assets balances totalling Kshs.7,148,279,076 as at 30 June, 2020 could not be confirmed.

6.2 Purchase of Certified Seeds, Breeding Stock and Live Animals

Disclosed in Note 17 to the financial statements under acquisition of assets is expenditure totalling Kshs.55,218,764 spent on purchase of certified seeds, breeding stock and live animals. The balance includes Kshs.1,384,000 spent on supply and delivery of fall armyworm control pesticides. However, examination of the respective procurement documents revealed that none of the bidders filled in the confidential business questionnaire and tax compliance certificate. In addition, records on ownership of the bidding firms were not attached to the bids. Further, the payment for the supplies was not supported with relevant documents including delivery notes, stores counter receipt vouchers and stores records.

In the absence of appropriate evidence, the supply and use of the items reported to have been procured at Kshs.1,384,000 could not be confirmed. Further, the inclusion of the cost of the seeds and pesticides under acquisition of assets may have misstated the expenditure on the item.

6.3 Land Without Ownership Documents

As mentioned previously, the assets register reflects land for Waruhiu Agricultural Training Centre (ATC). However, the land which is reported to measure 55.2 acres was subject of a court case after members of the Waruhiu family sued the Attorney General, Commissioner of Lands and, later, the County Executive of Kiambu. The family sought legal recourse after the Government continued to occupy the land without compensating them upon the expiry of the mutually agreed lease in 1991.

The matter was settled out of court on agreement that the family would be paid sums totalling Kshs.85,524,000 as compensation for compulsory acquisition of the land. The Ministry of Agriculture deposited Kshs.55,905,135 with the Registrar of the High Court on 7 October, 2010. The balance totalling Kshs.29,618,865 was to be paid thereafter. As at 30 June, 2020, payments by the County Executive to the family's lawyers totaled Kshs.27,900,000, leaving a balance of Kshs.2,618,865.

The settlement also required the County Executive to bear the costs of the suit amounting to Kshs.15,000,000. The Waruhiu family was to transfer title documents to the land and all other legal documents on the property to the County Executive.

However, the outstanding balance on the transaction had not been paid as at 30 June, 2020 and the title for the land was still with the family.

No explanation has been provided for the failure by the County Executive to pay the balance amounting to Kshs.2,618,865. With the transfer having not been completed, the County Executive's claim on the land may be disputed.

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. There were no key audit matters to report in the year under review.

Other Matter

2. Budgetary Control and Performance

2.1. Under-Collection of Revenue

The summary statement of appropriation-recurrent and development combined indicates that the County Executive had budgeted to raise Kshs.3,540,846,061 from local sources during the year under review. However, actual collections totalled Kshs.2,466,345,109 or 70% of the budgeted amount, resulting in a revenue shortfall of Kshs.1,074,500.952 or 30%.

Management did not provide a plausible explanation for the unsatisfactory performance.

2.2. Late Exchequer Release

The statement of receipts and payments indicates that the County Executive received equitable share of revenue, proceeds from domestic and foreign grants and transfers from other government entities amounting to Kshs.8,620,573,800, Kshs.2,447,628,533 and Kshs.382,476,044 respectively, all totalling Kshs.11,450,678,377. However, review of revenue records indicated that funds amounting to Kshs.3,770,308,994 or 32.9% of the exchequer releases were received during the months of June and July 2020, as summarized below:

	Date Received	Description	Amount Kshs
1.	4-Jun-20	User fees Foregone	34,671,542
2.	4-Jun-20	Youth polytechnics Grants	27,556,649
3.	4-Jun-20	Grant level 5 Hospitals	151,379,411
4.	4-Jun-20	Equitable Share	990,328,500
5.	4-Jun-20	Medical Health Workers Covid 19 Allowances	185,492,000

	Date Received	Description	Amount Kshs.
6.	24-Jun-20	Equitable Share	848,853,000
7.	30-Jun-20	DANIDA Grants	10,430,000
8.	2-Jul-20	KDSP	30,000,000
9.	2-Jul-20	Equitable Share	1,348,935,361
10	2-Jul-20	KUSP	8,800,000
11.	2-Jul-20	Road Fuel Levy grants	133,862,531
Total			3,770,308,994

2.3. Under-Utilization of Approved Budget

The summary statement of appropriation - recurrent and development combined reflects approved budgeted expenditure totalling Kshs.17,861,836,933 against actual expenditure totalling Kshs.14,557,156,202 resulting in under-expenditure of Kshs.3,304,680,731.

The under-expenditure denotes goods and services that were not procured for execution of development projects and delivery of services.

Late receipt of the Exchequer releases delayed implementation of projects and delivery of services planned for the year and may also partly explain the significant under-expenditure recorded in the year under review.

In view of the revenue shortfall and the under-expenditure, the expectations of the residents of Kiambu County on the County Executive for the year under review may only have been realized in part.

3. Prior Year Unresolved Issues

In the audit report of the previous year, several matters were raised in respect to the financial statements, lawfulness and effectiveness in use of public resources and effectiveness of internal controls, risk management and governance. However, although Management has indicated in the report on progress made in resolving the issues at Note 6 of other important disclosures that some issues had since been resolved, the actual status of the issues shall only be established after they are deliberated upon by the Legislature.

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 described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Irregularities in Use of Resources

Examination of procurement and expenditure records disclosed material irregularities in use of resources as follows:

1.0 Personnel Management

1.1 Excessive Spending on Personnel Emoluments

The statement of receipts and payments for the year under review indicates that the County Executive spent Kshs.6,404,588,618 on compensation of employees which equivalent to 46% of its revenue receipts for the year under review totalling Kshs.13,917,023,486. The expenditure was in excess of the 35% threshold set for the item in Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015.

Excessive use of the County Executive's limited funds in paying salaries and wages may have constrained its capacity to fund services and development projects needed by the majority of the County's residents .

1.2 Lack of Ethnic Diversity in Staffing

Audit review of the staff complement data revealed that the County Executive had 7,246 employees, out of whom 6,121 or 84% were from the dominant ethnic community in the County contrary to Section 7(2) of the National Cohesion and Integration Act, 2008. The law requires public entities to ensure that their establishments reflect the diversity of the people of Kenya.

2.0 Procurement of Goods and Services

2.1 Unconfirmed Use of Sports Uniforms Consignment

As previously reported, the County Executive procured branded sports uniforms for football, basketball, athletics and volleyball at a cost of Kshs.51,074,880 in 2018/2019, as shown below:

	Description	Quantity	Amount Kshs.
1.	Soccer Uniforms	600 sets of 15 Pairs	34,002,000
2.	Basketball Uniforms	600 sets of 12 Pairs	2,836,080
3.	Volleyball Uniforms	300 sets of 12 Pairs	13,780,800
4.	Athletics Uniforms	120 Pairs	456,000
	Total		51,074,880

Verification of records revealed that all the sports uniforms had been issued out. However, the identities of the recipients and confirmations that they had received the uniforms were not provided for audit. As a result, it was not possible to confirm that the sporting kits worth Kshs.51,074,880 were used for the intended purpose.

2.2 Exaggerated Fuel Consumption Rates

Note 12 to the financial statements discloses payments totalling Kshs.147,737,526 relating to purchase of fuel oil and lubricants from the National Oil Corporation of Kenya (NOCK). The items were drawn through detailed fuel orders and fuel cards. However, audit of the sampled data provided indicated that the fuel consumption rates recorded by some motor vehicles were unrealistic, as shown in the following table:

No.	Vehicle Reg. No	Make/Model	Kilometres Per Litre
1.	22 CG 205A	Toyota Hiace	115.00
2.	GKA 122N	Nissan Urvan	(8.00)
3.	22 CG 203A	Toyota Hiace	(4.00)
4.	22 CG 236A	Toyota D/Cab	33.12
5.	22 CG 230A	Toyota D/Cab	28.98
6.	22 CG 082A	Ford Everest	33.22
7.	GKA 312S	Toyota D/Cab	100.78
8.	22 CG 245A	Nissan D/Cab	20.12
9.	22 CG 093A	Toyota D/Cab	47.15
10.	GKA 648L	Toyota D/Cab	56.20
11.	GKA 850R	Nissan D/Cab	574.39

In addition, faulty odometers in six (6) motor vehicles made it impossible to establish actual consumption rates recorded by the vehicles.

The data suggested that fuel was wasted, or may have been stolen, or errors were made in reporting on the amounts consumed. In view of the evidence, the propriety, validity and value for money on the expenditure on fuel, oil, and lubricants totalling Kshs.147,737,526 in the year under review could not be confirmed.

2.3 Unauthorized Over-Expenditure on Purchase of Mobile Phones and Tablets

Included in communication, supplies and services expenses totalling Kshs.29,904,493 are payments totalling Kshs.1,696,989 relating to purchase of eleven (11) mobile phones and tablets for senior officials in the County Executive. The County Secretary had in March, 2018 set the maximum allowable cost of mobile phones to be bought for eligible officials at Kshs.80,000. However, the aggregate costs of the phones bought exceeded the limit by Kshs.816,989 as shown in Appendix I to this report.

In addition to being invalid, the excess expenditure totalling Kshs.816,989 was wasteful and therefore denoted imprudent use of public funds.

3.0 Unsatisfactory Implementation of Projects

3.1 Stalled Projects

Audit inspection of projects and examination of records indicated that that eight (8) major projects valued at Kshs.1,311,389,837 had stalled. Available information indicated that as at 30 June, 2020, payments to the respective contractors totaled Kshs.424,787,569. No satisfactory explanation was provided for the failure to complete the projects which are listed in **Appendix II** of this report.

Due to the projects having stalled before completion, they have not yielded the services they were expected to provide to the residents of Kiambu County. Further public funds totalling Kshs.424,787,569 are at risk of wastage and loss.

3.2 Low Quality Works

Examination of expenditure records further indicated that Kshs.10,729,703 was spent on construction of classrooms at three Early Childhood Development Education (ECDE) Centres in the County. However, audit inspection at the three project sites indicated that the construction works were not done as specified in the respective Bills of Quantities:

No.	Name of Project	Contract Sum Kshs.	Total Payments Kshs.	Balance Kshs.	Audit Observation
1.	Construction of Classrooms at Kariua ECDE	3,969,110	3,345,310	623,800	Project not completed. Molding of walls due to dampness; leaking roof, ceramic tiles not laid; no foot path to classrooms; damaged ceiling; poor paintwork.
2.	Construction of a Twin Classroom Block at Chania ECDE	3,857,490	3,857,490	0	Incomplete electrical and ceiling installation; Rainwater gutters not installed; backboard unusable as incorrect paint was applied.
3.	Construction of Classrooms at Ihiga-ini ECDE	3,716,045	3,526,903	189,142	Floor not tiled; rainwater harvesting system not installed large crack on the floor; steel columns not fitted.
	Total	11,542,645	10,729,703	812,942	

As a result of the anomalies, value for money is unlikely to have been obtained from the expenditure totalling Kshs.10,729,703 spent on the projects.

3.3 Unauthorized Variation of Works

Examination of expenditure records indicated that Kshs.5,466,296 was paid to a contractor for Phase III of the conversion of Municipal Council Offices to County Executive Offices. The contract was awarded at a contract sum of Kshs.10,831,985 on 10 December, 2014 with works scheduled for completion in eight (8) weeks to 10 February, 2015. However, the works were not completed on time as the fifth and final certificate amounting to Kshs.5,466,296 was raised on 29 May, 2017 and paid on 13 February, 2020, five years after the project's scheduled completion date.

Examination of payment vouchers and other records indicated that the final certified works done were valued at Kshs.16,328,110, and as a result, the contract sum was varied by Kshs.5,496,125, or 51%.

However, the Tender Committee Minutes that approved the variation were not provided for audit review. Further, contrary to Section 139(6) of the Public Procurement and Asset Disposal Act, 2015, the contract price was varied by more than twenty-five percent. It should instead have been tendered for separately as the law provides.

Therefore, the variation was irregular and together with the delay in completion of the project, denoted uneconomic and inefficient use of public funds.

3.4 Irregularities in Procurement of Road Works

Audit review of procurement records for construction of roads indicated that Management awarded contracts for road works totalling to Kshs.127,629,694. However, sampled audit of the contracts disclosed several irregularities:

- i. The works were procured without requisitions from the user Department. In addition, the Head of the Procurement Department did not issue a professional opinion on the works. Therefore, the Accounting Officer may have authorised payments without professional advice.
- ii. Notice of award of tenders, notifications of bidding results including contract offers or regret letters were not issued to bidders as required in Section 87(3) of the Public Procurement and Assets Disposal Act, 2015. In addition, Letters of Appointment of members of Tender Opening, Tender Evaluation, and Inspection and Acceptance Committees were not provided for audit review, even as the Quotations were not subjected to review against engineer's estimates.

As a result of these anomalies, the regularity and value for money on the expenditure totalling Kshs.127,672,200 incurred on the projects could not be confirmed.

4.0 Irregularities in Management of Cash Transactions

Review of cash records indicated that Management may have been lax in carrying out its responsibilities on imp rests and funds collected by health institutions as indicated below:

4.1 Outstanding Imprests

Examination of expenditure records indicated that there were outstanding imprests totalling Kshs.72,496,556 that ought to have been surrendered or accounted for on or before 30 June 2020 as required by Regulation 93(5) of the Public Finance Management (County Government) Regulations, 2015. The Regulation requires a holder of a temporary imprest to surrender the balance within seven (7) working days after returning to the duty station.

Failure by Management to enforce surrender of the imprests was irregular and may have hampered accountable use of public funds.

4.2 Failure to Remit Facility Improvement Funds (FIF) to Hospitals

Revenue records reflected receipts totalling Kshs.916,247,059 from public health facilities in the County, out of which collections by the hospitals under the Facility Improvement Fund (FIF) totalled Kshs.232,604,714 as shown in the following table:

	Health Facility Name	Amounts (Kshs.)
1.	Ruiru Level 4 Hospital	29,719,839
2.	Thika Level 5 Hospital	111,564,850
3.	Gatundu Level 5 Hospital	91,320,025
	Total	232,604,714

The collections were remitted to the County Revenue Fund (CRF). Conditions set for the use of the funds required Management to refund the hospitals sums equivalent to their respective collections remitted to the CRF. However, as at 30 June, 2020 no refund had been made to the hospitals and no satisfactory explanation was provided by Management for the default.

Failure to refund the Hospitals may have constrained their capacity to provide extensive, good quality health services to the County's residents.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not operating effectively.

Basis for Conclusion

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 overall governance.

In preparing the financial statements, Management is responsible for assessing the County Executive's ability 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.

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 way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the County Executive 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 overall 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 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 based on 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 non-compliance. 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 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 of Kiambu 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 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.



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 December, 2021

Appendix I: Over-Expenditure on Purchase of Phones and Tablets

No.	Phone Description	PV No.	Unit Cost-Kshs.	Maximum Allowable Expenditures Kshs.	Over-Expenditure Kshs.
1.	Ipad	7586	170,689	80,000	90,689
2.	Samsung S8 355257/09/111329/7	4799	120,000	80,000	40,000
3.	Samsung Galaxy note 8 354075/09/245936/5	1383	145,000	80,000	65,000
4.	Samsung S10+ 358815/10/490536/8	8549	146,160	80,000	66,160
5.	Samsung 10+ 358815/10/570255/8	8549	146,160	80,000	66,160
6.	Samsung Galaxy S4 9wv4c18b9001393	4894	84,100	80,000	4,100
7.	iPhone XS (max) G6TYX9ZSKPHG	7111	198,440	80,000	118,440
8.	iPhone XS (max) F17YQ02WKPFT	7111	198,440	80,000	118,440
9.	iPhone x 354860090223412	1376	198,000	80,000	118,000
10.	iPad pro dmptm117h258	1376	145,000	80,000	65,000
11.	iPad Pro 9	1376	145,000	80,000	65,000
	Total		1,696,989	880,000	816,989

Appendix II: Stalled Projects

Name of Project	Commencement Date	Contract Period	Contract Sum Kshs.	Total Payment to Date (Kshs).
Construction of Public Washrooms and Landscaping Works at 14 Falls Thika	27-Jun-2015	Twelve (12) Calendar Weeks to 28 September, 2015	11,396,650	6,234,387
Construction of Karuri Hall	17-Dec-2014	Four (4) Months from 18 December, 2014	5,979,180	5,163,562
Construction of two Classrooms and an Ablution Block at Muchatha ECDE	08-Jun-2016	Sixteen (16) Weeks from 8 June, 2016	3,136,985	2,844,829
Construction of Hospital Block at Githunguri Level IV Hospital	22-Mar-2018	One Hundred and Two (102) Weeks	676,000,000	185,873,271
Construction of Hospital Block at Bibirioni	22-Mar-2018	One Hundred and Two (102) Weeks	285,999,964	95,796,131
Construction of Juja Sub-County Offices	16-Jun-2015	40 Weeks	49,459,500	25,355,888
Construction of Workshop at Kanyariri Youth Polytechnic	07-Dec-2015	Four (4) Weeks	4,890,630	2,963,487
Construction of 4- storied Medical ward Block at Lari Sub-County	15-Jun-2015	104 Weeks	192,598,773	82,462,994.87
Construction of Talent Academy and Amphitheatre	11-May-2016	Twelve (12) Months	81,928,155	18,093,018.85
	Total		1,311,389,837	424,787,569