

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF KIAMBU FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of County Executive of Kiambu set out on pages 1 to 57, which comprise the statement of financial assets and liabilities as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts 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 matter discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of the County Executive of Kiambu as at 30 June, 2022, 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 Adverse Opinion

1. Inaccuracies in the Financial Statements

Review of the financial statements submitted for audit revealed various inaccuracies, as detailed in the paragraphs below;

1.1 Variance Between the Financial Statements and Ledger

Review of the financial statements revealed balances which vary with corresponding balances in the supporting ledgers, as detailed in the table below:

Item	Financial Statements Amount Kshs.	Ledger Balance Kshs.	Variance Kshs.
Communication, Supplies and Services	48,200,316	48,138,316	62,000
Bank Balances			
CBK County Development	642,211	3,636	638,575
CBK County RMLF	879,657	302,320,927	301,441,270
Cooperative Bank County Revenue Account	-	155,095	155,095

1.2 Unexplained Variance between the Financial Statements and IFMIS Report

Review of the financial statements and the corresponding balances in the supporting IFMIS trial balance revealed an unexplained variance between the two sets of records, as detailed in the table below;

Item	IFMIS Trial Balance Kshs.	Financial Statements Kshs.	Variance Kshs.
Outstanding Imprest	37,640,772	1,026,620	36,614,152
General Suspense	22,916,539	0	22,916,539
System Required Liabilities	654,589,996	0	654,589,996
Cash Clearing Account	205,828,163	0	205,828,163
Exchequer Release/Provisioning	96,595,390,459	0	96,595,390,459
Remittances to Exchequer	134,443,804	0	134,443,804
Development Bank Account	98,398,256	1,521,869	96,876,387
County KUSP	2,399,964,966	1	2,399,964,965
Deposit Bank Account	157,651,012	144,337,720	13,313,292
Cash in Transit	2,409,881,144	0	2,409,881,144

Item	IFMIS Trial Balance Kshs.	Financial Statements Kshs.	Variance Kshs.
Total	102,716,705,111	146,886,210	102,569,818,901

Further, the statement of receipts and payments indicates total payments during the year under review of Kshs.13,353,497,519. However, the Integrated Financial Management Information System (IFMIS) report indicates payments totalling to Kshs.13,652,192,604 during the year, resulting to an unexplained variance of Kshs.298,695,085.

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2022 could not be confirmed.

2. Outstanding Imprest and Variances

The statement of financial assets and liabilities reflects outstanding imprests and advances totalling to Kshs.1,026,620 as disclosed in Note 15 to the financial statements, due from fifteen (15) members of staff. However, the balance differs from the balance of Kshs.6,012,566 reflected in the imprest ledger, resulting to an unexplained variance of Kshs.4,785,746.

In the circumstances, the accuracy and completeness of imprest and advances could not be confirmed.

3. Unsupported Prior Year Adjustments

The statement of assets and liabilities reflects prior year adjustments debit balance of Kshs.31,154,409 which, according to Management consists of a reduction to closing bank balances transferred to the County Revenue Fund (CRF) accounts of Kshs.24,801,189 and a reduction of receivables balance of Kshs.6,353,220, for prior years. However, the supporting records for these balances were not provided for audit.

In the circumstances, the propriety and completeness of the adjustments could not be confirmed.

4. Anomalies in Cash and Cash Equivalent

The statement of assets and liabilities and as disclosed in Note 14 to the financial statements reflects a balance of Kshs.182,199,073 in respect of cash and cash equivalents. The balance is in relation to bank balances held in eleven (11) bank accounts. However, review of bank reconciliation statements, cash books and certificates of bank balances revealed various anomalies, as detailed in the paragraphs below:

5.1 Recurrent Bank Account

The bank reconciliation statement for the recurrent bank account maintained at CBK reflects payments in the cash book not recorded in the bank statement (unpresented cheques) totalling to Kshs.388,971,232, whose dates of payment were not provided.

Similarly, the dates of receipts in the cash book were not recorded in the bank and all other reconciling items were not indicated. Further, payments to various individuals totalling to Kshs.19,952,290 were made. However, corresponding outstanding imprests reflect a balance of Kshs.1,026,620, resulting in an unexplained variance of Kshs.18,925,670. Further, payments totalling to Kshs.9,360,922 described as payments to Kiambu County Government operations account were made. However, the balances were not reflected as outstanding. In addition, the bank reconciliation statement reflected an amount of Kshs.5,360,000 as an outstanding payment to Kiambu County Alcoholic Drinks Controls Fund. However, the amount was not reflected as receivable in the Fund's financial statements.

5.2 Revenue Account

The bank reconciliation statement for the revenue account maintained at a local bank reflected payments in the cash book not yet recorded in the bank statement (unpresented cheques) totalling to Kshs.18,839,487 and receipts in cash book not in the bank statement totalling to Kshs.3,788,008. However, the bank reconciliation was not supported by the listing of outstanding reconciling items.

5.3 Operations Account

The bank reconciliation statement for the operations account maintained at a local bank reflected a nil balance for payments in the cash book not recorded in the bank statement (unpresented cheques) and an amount of Kshs.17,959,995 for receipts in the bank statement not yet recorded in the cash book. However, the breakdown attached in support of the bank reconciliation reflects a balance of Kshs.200,000 being payments in the cashbook not recorded in the bank statement, which differs from the nil balance reflected in the reconciliation statement. In addition, the listing attached in support of the receipts in bank not in cashbook does not include details such as the date of receipts and payee.

Further, review of payments in the cashbook not recorded in the bank statement amounting to Kshs.17,959,995 revealed amounts paid to individuals totalling to Kshs.11,542,480 paid on the last day of the financial year whose nature and purpose could not be determined. The payments were not reflected as outstanding imprest as at 30 June, 2022. In addition, payments described as Kiambu County transfers of Kshs.2,064,265 were outstanding as at 30 June, 2022. However, their nature and purpose could not be determined. Another payment of Kshs.1,957,524 was made for the purchase of stationery whose supporting documents were not provided for audit verification. Receipts in the cashbook not reflected in the bank statement amounted to Kshs.10,970,478. Although the transactions were described as Kiambu County transfers in the cashbook, the details of the receipts were not disclosed in the listing supporting the bank reconciliation statement.

In the circumstances, the accuracy of cash and cash equivalents balance as at 30 June, 2022 could not be confirmed.

6. Inaccuracies in Acquisition of Assets

The statement of receipts and payments and as disclosed in Note 10 to the financial statements reflects an amount of Kshs.2,907,615,030 spent on the acquisition of assets. Included in this expenditure is an amount of Kshs.75,433,298 in respect of the purchase of certified Seeds, breeding stock and live animals. However, IFMIS records indicated that an amount of Kshs.90,863,298 was paid to Kenya National Trading Corporation through the general suspense account, resulting to an unexplained variance of Kshs.15,430,000. Review of pending bills also revealed that the County owes the Corporation a balance of Kshs.30,000,000.

Further, the balance includes an amount of Kshs.1,300,860,338 referred to as payables in respect of pending bills. However, other important disclosures in the notes to the financial statements indicate that a total of Kshs.778,835,190 was paid during the year under review in respect of pending accounts payables, pending staff payables and other pending payables, resulting to an unexplained variance of Kshs.522,025,148.

In the circumstances, the accuracy of acquisition of assets amounting to Kshs.2,907,615,030 could not be confirmed.

7. Unsupported Legal Fees

The statement of receipts and payments and as disclosed in Note 5 to the financial statements reflects a total of Kshs.1,812,278,460 in respect of use of goods and services. Included in this payment is an amount of Kshs.14,136,006 paid to a local firm in respect of interest incurred on late payments for the supply of sports equipment invoiced in 2018 on the orders of a Court Decree. However, the Court Decree was not certified.

Further, Management did not provide approvals from the County Attorney for the engagement and procurement of legal service providers to represent the County in litigation of interest and penalties. In addition, evidence of court sessions attendance or representation on the matter to mitigate the interest awarded and paid in the interest of the County Executive were not provided for audit.

In addition, an amount of Kshs.160,449,996 relating to utilities, supplies and services expenditure includes a payment of Kshs.1,718,865 to a local firm of advocates in a case that the County is listed as an interested party. The basis of the payment of this legal fee was not explained. The original order, case file for the matter and ownership documents for the land in question, evidence of court sessions attendance or representation on the matter were not provided for audit.

In the circumstances, the propriety and completeness of the legal fees expenditure of Kshs.14,136,006 could not be confirmed.

8. Unaccounted for Procurement of Maize, Bean, Sunflower and Canola Seeds and Fertilizer

The statement of receipts and payments and Note 10 to the financial statements indicates that Kshs.2,907,615,030 was paid in respect of acquisition of assets. Included in this amount is Kshs.75,433,298 in respect of purchase of certified seeds, breeding stock and live animals. A payment of Kshs.33,271,802 was made to a National Government

Parastatal on 21 February, 2022 for the supply and delivery of maize and beans seeds. A further payment of Kshs.30,391,496 was made to the same Parastatal on 31 March, 2022 for the supply and delivery of maize seeds, sunflower seeds and canola seeds. The payments were supported by proforma invoices which could not be authenticated while delivery notes, counter receipt vouchers and inspection and acceptance committee reports on delivery of goods were not provided for audit verification. Further payments of Kshs.30,000,000 and Kshs.12,200,000 were made to the Parastatal on 30 May, 2022 and 22 February, 2022 respectively for supply and delivery of NPK fertilizer. However, the identification of beneficiaries and distribution lists for the supply and delivery of maize, beans, sunflower and canola seeds and NBK fertilizer was not provided. Further, procurement records were not provided for audit review.

In the circumstances, the propriety and accuracy on the payment of Kshs.75,433,298 could not be confirmed.

9. Unsupported and Irregular Use of Imprest

Review of imprest records revealed that a total of Kshs.133,979,375 was issued to various members of staff as temporary imprests during the year under review. However, imprest amounting to Kshs.1,008,990 was spent on the hire of taxi services despite the departments having motor vehicles and fuel allocation. In addition, review of sampled payment vouchers amounting to Kshs.10,167,390 revealed that various payments were in the form of facilitation allowances for activities considered routine for which employees draw a monthly salary.

This was contrary to provisions of Circular No.MSPS.2/1A.VOL.XLVIII/(119) in relation to the formation of task forces which require that the accounting officer can constitute a task force on the conviction that the task can only be accomplished through a taskforce, personally approve payment of the taskforce allowance, make mid-year returns on the number of task forces and expenditure on the payments of task force allowances to the Head, Directorate of Public Service Management with a copy to the Principal Secretary, National Treasury and ensure that overtime allowances and retreat allowances are not paid in form of task force allowances.

In addition, a total of Kshs.19,736,630 was issued for office operations to various departments as standing imprests. However, Management did not explain the process of establishing the level of float required by each office while the memorandum cash book for each holder of standing imprest was not provided for audit verification. The reimbursement of the imprests were not adequately supported with Electronic Tax Register (ETR) receipts while imprests totalling to Kshs.818,816 was used to purchase common user items including tonners, printing papers and computer accessories, which should have been procured through the normal procurement process. Further, the items were procured at different prices without proper justification.

In the circumstances, the accuracy, occurrence and regularity of expenditure totalling to Kshs.30,722,836 could not be confirmed.

10. Irregular Reallocation of Funds

Review of payments and other supporting records revealed several unsatisfactory issues that breached fiscal responsibility principles due to irregular reallocation of funds, as detailed in the paragraphs below;

10.1 Transfer to Other Government Entities

During the year under review the County Executive transferred an amount of Kshs.536,601,619 relating to other current transfers, grants and subsidies; and Kshs.423,164,641 to other capital grants and transfers as disclosed in Note 7 of the financial statements. However, review of the ledger for other current transfers revealed that an amount of Kshs.196,366,188 was incorrectly charged to this account code instead of the correct account codes as the payments related to routine maintenance, allowances, legal fees, payment for cleaning services, construction and rehabilitation works, and utilities supplies and services.

In addition, the other capital grants and transfers of Kshs.423,164,641 included payments for the supply of pharmaceuticals totalling to Kshs.30,000,000 which should have been charged to specialized materials and supplies. Further, an amount of Kshs.37,272,265 was paid to eight (8) companies for the supply of goods, works and services but was charged to other capital grants and transfers while payments relating to financial assistance/donations of Kshs.2,755,171 paid to the Kiambu County operations account were incorrectly charged to this account.

10.2 Irregular Payment of Non-Wage Expenditure from Wage Account

The statement of receipts and payments and as disclosed in as disclosed in Note 4 to the financial statements reflects payments totalling to Kshs.7,465,056,009 in respect of compensation of employees. Review of records revealed that an amount of Kshs.142,093,236 relating to non-wage expenditure was charged to wage expenditure out of which an amount of Kshs.50,527,880 was paid to various companies for the supply of goods, works and services while the balance of Kshs.91,565,356 was paid to Kiambu County operations account for unspecified activities. The expenditure was charged to compensation of employees under basic salaries and wages, contrary.

10.3 Other Grants and Payments

The statement of receipts and payments indicates that payments in respect of other grants and payments amounted to Kshs.180,000,000 as disclosed in Note 8 to the financial statements. This amount related to funds transferred to the Kiambu County Education Bursary Fund, which is a self-reporting entity, and therefore the transfers should have been charged to transfers to other Government entities. Further, the request by the accounting officer for this reallocation was not provided for audit.

10.4 Expenditure Charged to Incorrect Account Codes

The statement of receipts and payments and as disclosed in Note 5 to the financial statements reflects payments totalling to Kshs.1,812,278,460 in respect of use of goods and services. Review of the supporting schedules and payment vouchers charged under the various categories of items revealed that various items charged to account codes that were not in line with the chart of accounts approved by the National Treasury, as detailed in the table below;

Item	Financial Statements Kshs.	Charged to Incorrect Code Kshs.	Related Pending Bills Kshs.
Utilities, Supplies and Services	160,449,996	5,207,115	2,048,865
Communication, Supplies and Services	48,200,316	33,603,999	12,000,000
Domestic Travel and Subsistence	134,689,007	350,000	-
Printing, Advertising and Information Supplies & Services	73,178,657	31,609,037	-
Training Expenses	69,502,034	22,306,528	-
Hospitality Supplies and Services	61,167,322	21,747,194	
Insurance Costs	104,469,346	14,166,606	
Specialized Materials and Services	486,328,401	227,704,112	131,023,967
Office and General Supplies and Services	46,801,110	17,293,270	-
Fuel, Oil and Lubricants	198,971,286	59,488,291	-
Other Operating Expenses	181,423,956	75,658,103	-
Routine Maintenance – Vehicles and other Transport Equipment	84,478,534	28,058,120	10,701,590
Routine Maintenance – Other Assets	91,354,171	2,150,000	-
Total	1,741,014,136	530,426,807	155,774,422

Further, the statement of receipts and payments and as disclosed in Note 10 to the financial statements reflects payments amounting to Kshs.2,907,615,030 in respect of the acquisition of assets. Review of the supporting schedules and payment vouchers charged under various categories of items revealed various expenditures were charged to unrelated account codes as detailed in the table below;

Item	Financial Statements Kshs.	Charged to Incorrect Code Kshs.	Related Pending Bills Kshs.
Construction of buildings	567,295,581	631,800	22,626,192
Construction and civil works	314,944,006	0	109,989,095
Purchase of specialized plant equipment and machinery	144,350,094	3,920,000	3,920,000
Purchase of certified seed, breeding stock and live animals	75,433,298	0	12,200,000

Item	Financial Statements Kshs.	Charged to Incorrect Code Kshs.	Related Pending Bills Kshs.
Rehabilitation and civil works	18,504,400	0	7,488,080
Purchase of office furniture and general equipment	4,641,080	2,350,615	-
Purchase of household furniture and other institutional equipment	1,987,500	1,987,500	-
Payables	1,300,860,338	131,479,812	-
Total	2,421,387,717	136,521,112	156,223,367

In the circumstances, the accuracy, completion and regularity of the above expenditure could not be confirmed.

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 audit 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

1. Prior Year Audit Issues

In the audit report of the previous year, several matters were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. Note 18 to the financial statements in relation to progress on follow up of prior year auditors' recommendations indicates that most of the issues raised therein have been resolved. However, Management did not provide evidence on how the issues were resolved.

2. Inaccurate Pending Bills Balance

Other important disclosures and Annexes 2, 3 and 4 disclose pending bills totalling to Kshs.5,656,558,464. Included in this balance is Kshs.3,618,234,912, Kshs.37,757,601 and Kshs.2,000,565,951 in respect of pending accounts payables, pending staff payables and other pending payables respectively. Review of a pending payment to a software service provider for supply and installation of a software administrative cost for revenue at the rate of 5%, revealed that the amount owed was Kshs.3,264,586. However, outstanding payments to the software service provider relating to quarters 3 and 4 of 2019 amounting to Kshs.32,611,775 were not listed as pending payables as at 30 June, 2021.

Failure to settle bills in the year to which they relate adversely affects the subsequent year`s budget to which they have to be charged.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance based on the audit procedures of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusions 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. Non-Compliance with Public Finance Management (County Governments) Regulations, 2015

The statement of comparison of budget and actual amounts- recurrent and development indicates that the budgeted receipts and payments amounted to Kshs.16,008,845,088 which comprise of an amount of Kshs.4,779,657,585 in respect of development and an amount of Kshs.11,229,187,503 in respect of recurrent expenditure. However, the County Treasury warrant was not provided for audit while the Governor`s warrant for the supplementary budget was not dated. This was contrary to Regulation 20 of the Public Finance Management (County Governments) Regulations, 2015 which requires that once the annual County Appropriation Bill or County Supplementary Bill (s) have been assented to, the County Executive Committee Member shall obtain Governor`s warrants authorizing issues from the County Revenue Fund in accordance with respective County Appropriation Legislation. Further Regulation 21 requires that on receipt of the Governor`s warrants, the County Executive Committee Member shall issue Treasury warrants granting authority to accounting officer to incur expenditure for the year in respect of their votes.

In the circumstances, Management was in breach of the law.

2. Irregular Payments to Members of County Assembly and Staff

Review of payment records revealed that an amount of Kshs.2,941,000 was paid to an Officer in respect of allowances to Members of the County Assembly (MCAs) and staff attending the Jiinue Fund regulation workshop held at a local hotel. Out of the total payment, an amount of Kshs.1,498,000 was made to MCAs whose payments should have been charged to the County Assembly vote. A total of Kshs.44,000 was paid as transport allowance for the twenty-two (22) MCAs to attend the workshop at the hotel which is approximately seven (7) kilometers from the County Assembly offices. The expenditure also included payment to officers designated as the Lead Clerk and Principal Clerk, whose role in the workshop was not clear. In addition, the payment voucher was not examined and authorized.

In the circumstances, the propriety and value for money of the payment could not be confirmed.

3. Non-Compliance with Fiscal Responsibility Principles on Wages and Benefits

The statement of receipts and payments and as disclosed in Note 4 to the financial statements reflects payments totalling to Kshs.7,465,056,009 in respect of compensation of employees. The amount represents approximately 56% of the total revenue of Kshs.13,348,588,811, which was 21% percentage points over and above the allowed ceiling of 35%. This was contrary to Regulation 25 (1) (a) and (b) on fiscal responsibility principles which require that the County Executive Committee Member with the approval of the County Assembly, shall set a limit on the county government's expenditure on wages and benefits for its public officers according to Section 107(2) of the Act and the limit set shall not exceed thirty-five (35) percent of the county government's total revenue.

In the circumstances, Management was in breach of the law.

4. Irregularities in Establishment of Subsidiaries

4.1 Irregular Operation of Water Companies

Review of records indicated that pursuant to the enactment of the Kiambu Water and Sanitation Services (Amendment) Act, 2018, the County Government of Kiambu established the Kiambu County Water and Sewerage Company Limited as a successor to all the water companies owned by the County Government of Kiambu.

Towards this end, an Interim Board for this Company was established to oversee the implementation and completion of the merger process. A Chairman and Members of the interim board of directors were appointed on 12 April, 2018 for one (1) year. The term of the interim board of directors was extended for a further two (2) years through a letter dated 26 March, 2019. On 29 June, 2020, a caretaker Board of the water utilities was appointed after the County Executive Committee resolved to extend the mandate of the interim board to serve as a caretaker Board for all water utilities within the County. The appointment of the interim/caretaker Board was extended for a period not exceeding one (1) year on 20 April, 2021.

However, a case was lodged in Court challenging the merger of the water companies, resulting to Kiambu County Water and Sanitation Services Amendment Act, 2018 being declared unconstitutional for lack of public participation. Information available indicates that the Water Services Regulatory Board (WASREB) through a public notice, contended that legislation such as the Companies Act, 2015 and Insolvency Act, 2015 were yet to be finalized on areas including commercial viability, loan and liability repayments, assets transfer, human resource management and pension issues, ongoing infrastructure projects and, funding proposals which were at an advanced stage of the project cycle based on financial modelling of the existing companies. WASREB thereby directed that the licensed Water Companies within the County continue to be as they were before the failed merger process as no winding up orders had been communicated.

In the circumstances, the legality of the operations of the seven (7) water companies could not be confirmed.

4.2 Lack of Municipalities' Financial Statements

Review of records indicated that the Governor granted special municipality status to six (6) Urban Areas on 27 June, 2018. However, three (3) years after the establishment of the Municipalities, Municipality Boards have not prepared budget estimates to the County Treasury for consideration and submission to the County Assembly for approval. Further, financial statements, books and records of accounts for the financial years 2018/2019, 2019/2020, 2020/2021 and 2021/2022 have not been submitted for audit. This was contrary to the provisions of Section 46 (1) and (2) of the Urban Areas and Cities Act, 2011 which states that the board or town committee shall cause to be kept all proper books and records of account of its income, expenditure, assets and liabilities and that within three (3) months after the end of each financial year, the board or town committee shall submit to the County Executive Committee its accounts for that year for transmission to the Auditor-General together with a statement of the income and expenditure of a Board for that year and a statement of the assets and liabilities of a board on the last day of that financial year.

In the circumstances, Management was in breach of the law.

5. Non-Compliance with the Framework for the Approved Establishment and Complement Controls (Human Resource Management)

The statement of receipts and payments indicates that the County paid a total of Kshs.7,465,056,009 in respect of compensation of employees. Several unsatisfactory issues emerged from the audit as indicated below:

i. Lack of Staff Establishment

Review of payroll reports for the year under review revealed that at the start of the financial year, the County had a workforce of 5000 employees in the Integrated Personnel and Payroll Database (IPPD) earning salaries of Kshs.465,501,707 per month which increased to 6042 earning salaries amounting to Kshs.512,975,947 in June, 2022 representing an increase of 1042 members of staff. However, as reported over the years since the inception of the devolved units, the approved staff establishment was not provided for audit.

ii. Non-Compliance with National Cohesion and Integration Act on Ethnic Diversity

Review of IPPD revealed that the County Executive had 6230 members of staff as at 30 June, 2022. The staff register for June, 2022 indicated that 5,294 representing 85% of the total staff establishment were from one dominant community. Further, eighty (80) new employees were recruited during the financial year out of which fifty-five or 55 or 69% were from the dominant community. This was contrary to Section 7(1) of the National Cohesion and Integration Act, 2008, which requires that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff.

iii. Non-Compliance with the one Third of Basic Salary Rule

Review of payroll data revealed that 2248 employees were paid a net salary that is less than a third (1/3) of their basic pay during the year contrary to Part C.1 (3) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which stipulates that public officers shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries and Heads of Human Resource Units should ensure compliance

iv. Unreconciled Employment Information

Review of payroll records revealed that a total of one thousand seven hundred and thirty-five (1735) employees were included in the IPPD system during the financial year under review. The entries include members of staff who had not been allocated personal numbers from earlier years and staff on contract. Out of the total new entries, three hundred and eighty-five (385) employees on contract and whose term contracts ended during the year under review had their contracts renewed resulting to double capture and unexplained new entries in the payroll of two hundred and seventeen (217) employees as analysed below:

Description	Number of Employees	Entries
Total New Entries	-	1735
Adjust for Double Entry (Contract Staff)	-	(383)
Total New Entries	-	1352
Translated from Manual to IPPD	737	-
Renewed Contracts	385	-
Inward Inter County Transfer	13	(1135)
Unexplained Increase	-	217

Further, review of the payroll data revealed the following anomalies:

- a) Forty-three (43) members of staff shared bank accounts;
- b) Thirty-five (35) of the total new staff members recruited on permanent and pensionable terms were aged over fifty (50) years; and
- c) Two (2) members of staff on consolidated salary were irregularly paid other allowances

v. Irregular Recruitment of Members of Staff

During the year under review, eighty (80) new employees were recruited to fill various vacant positions. However, review of the personnel files revealed the following anomalies:

- a) Twenty-seven (27) newly recruited members of staff did not apply for the positions appointed as indicated in their files;

- b) Application letters filed in the personal files for eleven (11) newly recruited members of staff were undated; and
- c) Appointment letters for thirty-one (31) members of staff sampled for audit were issued on dates ahead of application for the positions

vi. Unsupported Conversion of Employees from Contract to Permanent and Pensionable Terms

During the year under review, one thousand and seventy (1070) employees who were initially on contract terms had their terms of service converted to permanent and pensionable. Review of sampled personal files revealed instances where the terms of service for eighty-eight (88) employees who were initially on contract terms were appointed on permanent and pensionable terms during the year under review. However, evidence of the procedure used to effect the changes was not supported by relevant documentation such as establishment of vacancies, advertisements, a list of applicants, shortlisting, interviews and approvals by the County Public Service Board. In addition, one (1) member of staff whose contract expired on 6 October, 2021 and was not renewed was nonetheless appointed in February, 2022 on permanent and pensionable terms. However, evidence of how the terms were translated was not provided for audit.

vii. Irregular Payment of Uniform Allowances

Included in the compensation of employees' is an amount total payments of Kshs.65,865,846 paid to two thousand five hundred and seventy-nine (2579) members of staff as uniform allowance during the financial year. The allowances paid out ranged between Kshs.6,000 and Kshs.100,000 per annum. However, the designation of the members of staff paid and the rates payable were not provided for audit. The basis of payment of this allowance has also not been supported by the Human Resource Manual.

viii. Failure to Authenticate Academic and Professional Certificates

Review of payroll reports for the year under review revealed that at the start of the financial year, the County had a workforce of 5000 employees in the Integrated Personnel and Payroll Database (IPPD) which increased to 6042 at the close of the year under review. However, the audit revealed that the County had not submitted the academic and professional certificates of members of staff to Kenya National Qualification Authority (KNQA) for validation and authentication. This was contrary to the Kiambu County Government Human Resource Manual that all staff recruited to serve in the County to possess valid and authentic academic and professional certificates as required in the positions/ grades they are recruited.

In the circumstances, the regularity and value for money on the expenditure of Kshs.7,465,056,009 on the compensation of employees could not be confirmed.

6. Non-Compliance with the Public Procurement and Asset Disposal Act

The statement of receipts and payments and as disclosed in Note 10 to the financial statements reflects acquisition of assets expenditure of Kshs.2,907,615,030, out of which an amount of Kshs.707,201,771 was spent on various projects initiated during the year and payment of pending bills brought forward from the previous years. However, scrutiny of procurement records and other supporting documents revealed several irregularities and non-compliance with the Public Procurement and Asset Disposal Act, 2015 as detailed in **Appendix I**.

In the circumstances, Management was in breach of the law.

7. Irregular and Uncontrolled Operations at Kangóki Dump Site

A field visit was undertaken at Kangóki Dump Site, Kamenu Ward on 29 August, 2022. The site covers an area of approximately two hundred (200) acres and handles all solid waste generated in Kiambu County. The dump site is not fenced exposing the land to possibility of encroachment. It was further noted and corroborated by the officer in charge of the site that a section of the land had been encroached on by private developers. The site office at the dump site was vandalized and in a deplorable state with broken doors, windows and the building was run down. Further, out of the three (3) machines at the dump site, the two (2) donated by the Republic of Japan had no identification number plates and were not recorded in the assets register. One (1) machine was unserviceable and not in use. The Kiambu County Finance Act, 2021 indicates that the County charges various dumping rates ranging from Kshs.200 for a pickup of up to two (2) tons to Kshs.1,400 per ton for a truck carrying over fourteen (14 tons). However, there are no visible controls or weighbridge station to weigh the garbage being dumped, no evidence of movement registers for motor vehicles moving in and out of the dump site, no County enforcement officers at the dump site and no organized entrance and exit gates for control purposes;

In the circumstances, the revenue collected from the site could not be confirmed.

8. Irregular Variation of Contract on Construction Works of 4-Storeyed Type Medical Block at Wangige Sub-county Hospital

Review of procurement records revealed that a contract of an amount of Kshs.220,283,842 was awarded to a local contractor through an open tender on 1 July, 2015 for the construction of a four (4) storied medical block at Wangige Sub-county Hospital. However, the contract implementation team recommended contract variation without a comprehensive bill of quantities prepared to support the variation and the technical department providing general prices for additional works. This was contrary to Section 139(2) of the Public Procurement and Assets Disposal Act, 2015 which states that the accounting officer on the recommendation of an evaluation committee, may approve the request and shall be accompanied by a certificate from the tenderer making justifications for such cost.

In the circumstances, Management was in breach of the law.

9. Irregular Award of Contract for Ambulance Services

Review of procurement records revealed that payments totalling to Kshs.46,067,891 were paid to the Kenya Red Cross Society for the provision of ambulance services to the County Government of Kiambu. The contract attached in support of the payment is an extension of the contract entered in October, 2020 for one (1) year. However, the Tender Opening Committee performed the functions of the Tender Evaluation Committee contravening segregation of duties contrary to Section 44 (2) (h) of the Public Procurement and Asset Disposal Act, 2015 which requires the accounting officer to ensure that the procurement processes are handled by different professional offices respect of procurements, initiation, processing and receipt of goods, works and services.

In the circumstances, Management was in breach of the law.

10. Irregular Procurement of Construction Works for Ablution Block at Kamuchege Dispensary

Review of payment records revealed that a payment of Kshs.2,431,400 was made to a local firm for the construction of an ablution block at Kamuchege Dispensary. However, Management did not adhere to the procurement process by appointing ad hoc committees for tender opening evaluation and award of the tender. Further, no evidence has been provided to show that the head supply chain management issued a Professional Opinion and that the same was approved by the accounting officer as required before the award. The certificate of practical completion attached was dated 30 May, 2018 an indication that the works were completed in the financial year 2017/2018. However, no explanation was provided for the payment remaining unpaid and yet the accounting officer approved the requisition and award contrary to Section 53(8) Public Procurement and Asset Disposal Act, 2015 which states that the accounting officer shall not commence any procurement proceeding until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in its budget estimates.

In the circumstances, Management was in breach of the law.

11. Irregular Procurement for Supply and Installation of LED Streetlights in Sigona Ward

Review of the payment records revealed that a payment of Kshs.3,999,187 was made for the supply and installation of streetlights. The works were procured through a request for quotation method and the local service order was issued to a local company on 8 August, 2018 as the lowest evaluated bidder. However, evidence of the Professional Opinion of the head of the supply chain approved by the accounting officer was not provided for audit. In addition, the appointment of an ad-hoc committee was not done and the Management delayed in inspection works by eighteen (18) months thus negating the time requirements for inspection and acceptance.

In the circumstances, Management was in breach of the law.

12. Irregular Procurement for Supply and Delivery of Electrical Materials Limuru/Lari Lot 5 and Lari Lot 6

Review of the payment records revealed that an amount of Kshs.1,201,876 was made to a local firm for the supply and delivery of electrical materials for Limuru/Lari Lot 5. A further amount of Kshs.1,334,000 was made for the purchase of electrical materials for Lari Lot 6. The procurement was through the request for quotations where an LSO was issued on 10 May, 2018. However, evidence of a Professional Opinion by the head of the supply chain approved by the accounting officer was not attached contrary to Section 84 of the Public Procurement and Asset Disposal Act, 2015 which requires the head of the supply chain department to issue a professional opinion to the accounting officer for approval and award. In addition, the appointment of an ad-hoc committee was not done, while notification of the award and acceptance of the award by the winning bidder and was not provided for audit review.

In the circumstances, Management was in breach of the law.

13. Irregular Award of Contract for Rehabilitation of Kware Road Avenue in Kahawa Sukari

Review of procurement records revealed that a local firm was awarded a contract for rehabilitation of Kware Road 4th Avenue in Kahawa Sukari Ward at a contract price of Kshs.2,491,000. However, the quotations and minutes of the Tender Opening and Evaluation Committee were not signed contrary to Section 78 (11) of the Public Procurement and Asset Disposal Act, 2015 on requirements for acknowledging tender committee meetings as true reflection of proceedings. The quotations were also not dated by the bidders or the tender opening committee and hence it was not possible to determine the dates they were issued or opened. The local company awarded the contract was incorporated on 24 April, 2018 and registered with National Construction Authority (NCA) on 23 November, 2018 while the quotations were issued in the financial year 2017/2018.

In the circumstances, Management was in breach of the law.

14. Irregular Procurement of Consultancy Services

Review of payment and procurement records revealed that three (3) service providers were paid a total of Kshs.10,551,035 for consultancy services in respect of research studies, project preparation design and supervision during the financial year under review towards the development of a shared services strategy for Kiambu County Growers Association. However, all professional opinions from the Head of the Supply Chain Management for the three (3) payments indicated that the recommendation for award to the lowest evaluated bidder was not appropriate and had some shortcomings but the accounting officer approved the award as recommended by the evaluation committee without taking into consideration observations of the Hhead of the Procurement Unit. This was contrary to the provisions of Section 84(3) of the Public Procurement and Asset Disposal Act, 2015 which requires that the accounting officer in deciding to award the tender, shall take into account the views of the head of procurement in the signed professional opinion. The tender evaluation committee minutes dated 15 March, 2021 recommended one of the firms as the best evaluated bidder to develop a shared strategy.

However, no evidence has been attached to show that Management issued Request for Proposal (RFP) or the selection procedure for the procurement as required.

In the circumstances, Management was in breach of the law.

15. Management of Transport and Machinery Equipment

Annex 6 on the summary of non-current assets reflects total assets balance of Kshs.12,173,897,198. Included in this balance were amounts of Kshs.301,198,078 and Kshs.1,398,715,773 in respect of transport equipment and machinery respectively. However, several unsatisfactory issues were observed from the audit as indicated below:

i. Irregular Expenditure on Fuel, Oil and Lubricants

The statement of receipts and payments and as disclosed in Note 5 to the financial statement reflects use of goods and services payments totalling to Kshs.1,812,278,460 were made during the year under review. Included in this amount are payments of Kshs.198,971,286 in respect of fuel, oil and lubricants. However, fuel worth Kshs.23,055,464 was indicated as having been consumed by motor vehicles which have been grounded for more than one (1) year, held at various garages or have been bonded for disposal. In addition, the fuel card report from the supplier indicates that fuel worth Kshs.4,170,953 was drawn and charged to the fuel cards without corresponding entries in the work tickets. Some fuel card records indicated that fuel was being drawn even after the work tickets had been closed some as late as midnight while fuel consumed and recorded in the work tickets did not have corresponding entries in the detailed consumption statement. Further, fuel worth Kshs.24,956,149 is recorded as having been drawn by motor vehicles whose speedometers and fuel gauges were faulty making it difficult to confirm whether the fuel consumption by the vehicles and distance covered were economical.

ii. Unaccounted for Motor Vehicles

Review of payment and procurement records revealed that a contract of Kshs.77,172,000 was entered into with a vehicle dealer for delivery of fifteen (15) MDT-994-045-20 Double CAB 4*4 LWB 2000CC Diesel pick-ups. A payment voucher of Kshs.40,000,000 was prepared on 24 August, 2021 as part payment which was however stamped as having been paid on 14 October, 2021 for Kshs.25,000,000, thereby resulting an unpaid balance of Kshs.52,172,000. However, the delivery notes, pre-inspection reports and evidence that the vehicles were received and taken on charge were not provided for audit verification. In addition, copies of logbooks were not provided for verification. The inconsistency in the payment amount and what is stamped as having been paid was not explained. Further, an amount of Kshs.33,560,000 was paid to a motor vehicle dealer for the delivery of four (4) Toyota Fortuner GUN 155RSNTLXN-1R diesel 2.4L 4*4 Diesel motor vehicles through a payment voucher dated 13 October, 2021. However, the payment voucher is not supported by a delivery note, pre-inspection report and evidence that the assets were received and taken on charge as required. Similarly, there were no copies of logbooks as confirmation of registration and ownership of the vehicles in the name of the County Government.

iii. Irregular Procurement and Payments for Routine Maintenance - Motor Vehicles

Included in the payments for the use of goods and services are payments amounting to Kshs.84,478,534 in respect of routine maintenance - motor vehicles. Out of the expenditure are total payments of Kshs.10,037,656. Review of records revealed the following irregularities:

- a) The tender opening minutes and a tender register were not provided for review and therefore it was not possible to confirm when the quotations were opened and the bidders who responded contrary to Section 78 (10) of the Public Procurement and Asset Disposal Act, 2015 which requires that, the tender opening committee shall prepare tender opening minutes which shall set out a record of the procedure followed in opening the tenders and the particulars of those persons submitting tenders, or their representatives, who attended the opening of the tenders.
- b) From sample inspection and acceptance committee certificates provided, evidence indicating that Management appointed the committees in writing as required in Section 48 of the Public Procurement and Asset Disposal Act, 2015. Further, the Section requires that the inspection and acceptance committee shall be composed of a chairman and at least two other members appointed by the accounting officer or the head of the procuring entity on the recommendation of the procuring unit.
- c) Evidence of requisition by the user department was not provided for audit verification contrary to Regulation 71 of the Public Procurement and Asset Disposal Regulations, 2020 which requires that (1) Pursuant to Section 73 of the Act, the head of the user department shall initiate the procurement process through a requisition initiation of procurement as per the approved procurement plan.
- d) There was no evidence that the Head, Supply Chain Management wrote a professional opinion or recommendation to the accounting officer for approval in accordance with Section 84 of the Public Procurement and Asset Disposal Act, 2015 which requires that (1) The head of procurement function of a procuring entity shall, alongside the report to the evaluation committee as secretariat comments, review the tender evaluation report and provide a signed professional opinion to the accounting officer on the procurement or asset disposal proceedings.
- e) Evidence that the successful bidders accepted the award in writing as required by Section 87 (2) of the Public Procurement and Asset Disposal Act, 2015 was not provided for audit verification to show that the successful bidder submitted written acceptance of the award within the time frame specified in the notification of award.
- f) Membership to the tender opening and tender evaluation committees were the same.
- g) The request for quotation documents did not indicate when and to who they were issued to contrary Section 106(2)(a) of the Public Procurement and Asset Disposal Act, 2015 which requires that the accounting officer of a procuring entity shall give the request to such persons as are registered by the procuring entity.

In the circumstances, the propriety and value for money for the expenditure of Kshs.10,037,656 could not be confirmed.

16. Irregular Payments Made to Members of the County Assembly

The statement of receipts and payments and Note 5 to the financial statement indicates that use of goods and services payments totalling to Kshs.1,812,278,460 were made during the year under review. Included in this amount are payments totalling to Kshs.181,423,956 relating to other operating expenses which further includes allowances of Kshs.36,857,700 paid to Members of the County Assembly of Kiambu while attending capacity building workshops. These allowances should have been paid through the County Assembly's budget.

In the circumstances, the propriety and value for money for the amount of Kshs.36,857,700 paid in respect of other operating expenses could not be confirmed.

17. Irregular Payment of Delegation Fees to Council of Governors

Included in the payments on use of goods and services is an amount of Kshs.160,449,996 in respect to utilities supplies and services as disclosed in Note 5 to the financial statements out of which Kshs.1,560,000 was paid to the Council of Governors as delegation fees for members attending the annual devolution conference at Makueni County whose legal basis of payment was not explained.

In the circumstances, the propriety and value for money for the payment of Kshs.1,560,000 could not be confirmed.

18. Irregular and Unaccounted for Procurement of Pharmaceuticals and Non-Pharmaceuticals

Review of procurement and payment records on procurement of pharmaceutical and non-pharmaceutical products from a National Government entity and a faith based not for profit organization worth Kshs.131,587,780. Included in the balance is a payment of Kshs.19,972,212 made on 31 March, 2022 was not supported by delivery or counter receipt vouchers from various health facilities acknowledging receipt of the pharmaceuticals and non-pharmaceuticals. The corresponding LPO No.3350567 dated 9 June, 2021 relates to a proforma invoice amounting to Kshs.19,980,826 and requisitions, delivery notes and inspection and acceptance reports were not provided.

Further, two (2) payments of totalling Kshs.73,246,985 were made on 22 October, 2021 relating to a pending bill for the financial year 2020/2021. The LPO attached is a copy and cannot be authenticated while the invoice attached total Kshs.51,587,767 resulting to an unexplained over payment of Kshs.21,659,218. The user requisitions, delivery notes and inspection and acceptance reports were not provided for audit verification. Counter receipt vouchers from the various recipient health facilities were not provided for review.

In addition, a payment of Kshs.22,499,185 made on 24 January, 2022 was not supported by user requisitions, LPO, inspection and acceptance report, and counter receipt

vouchers from various recipient health facilities. In addition, an amount of Kshs.15,869,398 was paid to the same supplier. Although the contract between the County and service provider has been signed as a framework contract under clause 4 (a), it does not meet the threshold of framework contracting including having a minimum of seven (7) vendors in that category, the maximum duration of the contract is three years but the contract attached has no duration, the prices have not been attached to the contract as required and the method of implementing the framework contract was also not explained.

In the circumstances, the propriety and value for money of the payment amount of Kshs.131,587,780 could not be confirmed.

19. Payment for Undelivered Digitization Services

The County Government entered into an agreement with a local technology firm for the digitization of the Directorate of Cooperative Development on 24 June, 2021 at a contract sum of Kshs.6,933,452 for a contract period of six (6) months. The contract was to be implemented in two (2) phases at 50% each of the total contract price. The county paid Kshs.4,021,402 to the company on 1 March, 2022. However, the contract period lapsed without any work being done and certified.

As a result, the regularity and value for money of this payment could not be confirmed.

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 because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on effectiveness of Internal controls, Risk Management and Governance Section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Summary of Fixed Assets

1.1 Failure to Update the Assets Register

The summary of fixed assets register at Annex 6 of the financial statements reflects consolidated assets balance of Kshs.12,173,897,198 as at 30 June, 2022. Review of the detailed assets register provided for audit revealed that the asset register was not updated.

Further, ownership/logbooks for Ownership/logbooks for fifty-two (52) motor vehicles recorded in the assets register were not provided for audit verification. In addition, fifteen (15) double cabin Isuzu Pickups and four (4) Toyota Fortuner motor vehicles were purchased at the close of the 2020/2021 financial year and delivered during the year under review at a cost of Kshs.77,172,000 and Kshs.33,560,000 respectively have not been recorded in the assets register. This was contrary to Section 149 (2) (o) of the Public Finance Management Act, 2012 which requires the accounting officer to ensure that the respective county government entity has adequate systems and processes in place for the maintenance of an assets register that is current, relevant and available to the relevant County Treasury and Auditor General.

1.2 Grounded Motor Vehicles

A field verification exercise at the Thika transport office in November, 2022 revealed that several transport and machinery equipment were grounded. The corresponding inspection reports to ascertain whether it was economical to repair the transport and machinery equipment or recommend for bonding was not provided for audit verification. The transport office has no security fence while some of the grounded transport and machinery equipment was inherited from the defunct local authorities. Records provided indicate that one hundred and thirty-four (134) motor vehicles are due for bonding, however, no recommendation by the asset disposal committee has been made on the same. In addition, some grounded vehicles had current insurance policies without any value for money being derived from the expenditure. Further, temporary employees were recorded to be stationed at the transport office without clear details of the tasks they were to undertake.

1.3 Unaccounted for Grounded but Repairable Vehicles

Review of transport and machinery equipment records revealed that there are ninety-three (93) vehicles valued at Kshs.351,348,330 which are grounded but repairable. Included in this number are four (4) vehicles which could not be traced to the asset register. Another thirty-two (32) vehicles did not have a cost attached to them on the asset register.

1.4 Motor Vehicles Detained in Garage Due to Non-payment

Review of the records provided revealed that twenty-five (25) vehicles with a total value of Kshs.61,494,000 were impounded/detained at various garages for non-payment of services. Included in this number are eleven (11) vehicles whose cost is not disclosed in the asset register. Further, there was no information or report to show how long the vehicles have been held at the garages. No plausible reason has been provided for the failure to pay the services providers and delay in obtaining the vehicles for use by the County.

In the circumstances, the existence of effective internal controls to safeguard the assets could not be confirmed.

2. Failure to Authorize Payment Vouchers

Review of a sample of payment records revealed that payments totalling to Kshs.38,166,643 were paid and processed without examination and authorization by the accounting officer or his appointed officer. In addition, payments totalling to Kshs.15,390,450 were processed and paid, and the requisite stamp was not affixed on the documents them, being an indication that they had been paid up. Further, a payment of Kshs.73,731,600 in respect of transfer of funds from the County Revenue Fund (CRF) to Kenya Devolution Support Programme (KDSP) was made without proper authorization by the accounting officer, while a payment to Kiambu Level V hospital of Kshs.9,000,000 was also not properly authorized by the accounting officer.

In the circumstances, the existence of an effective system of internal controls of payments could not be confirmed.

3. Non-Adherence to Guidelines from Public Service Commission

Review of payment records in respect of compensation of employees revealed that an amount of Kshs.561,475,117 was paid in respect of salaries and wages for one thousand (1000) staff through manual systems instead of the prescribed electronic payroll the Integrated Payroll and Personnel Database (IPPD).

No explanation was provided for the failure to use IPPD in paying salaries for these employees.

In the circumstances, existence of effective controls on the payroll could not be confirmed.

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

Responsibilities of Management and those Charged with Governance

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

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

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 County Executive's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 to cease to continue or 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's 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 to 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

20 April, 2023

APPENDIX I

Description	Amount Kshs.	Audit Observations
Goods and Services	87,311,198	Tenders were opened and evaluated by the same committee members, quotation forms were not signed by the committee, quotations of valued at Kshs.44.375,474 were opened and evaluated by less than 3 members and procurements worth Kshs.13,197,450 were supported by unsigned tender opening minutes.
Construction works	3,993,706	Contract was for 1 month, but continued for 6 months without approval for extension. The tender evaluation committee was appointed on 3 July, 2018 while actual evaluation took place on 9 May, 2018 being two (2) months earlier. Inspection and Acceptance Report was done on 17 October, 2019 by a committee appointed on 2 December, 2019. Further, members who inspected the works were not the same members appointed to the inspection and acceptance committee. The quotations were issued on 3 May, 2018 while details of the quotations of one of the contractors' showed that they filled the documents on 20 May, 2018 long after the quotations had been evaluated and tender awarded. The requisition for the works was done on 19 June, 2018 about one (1) month after issuance of quotation
Payments	26,305,756	No notification/regrets to the winning/unsuccessful bidders in writing and receiving confirmation of acceptance in writing
Payments	86,633,959	No Professional Opinion from the head of procurement unit approved by the accounting officer
Rehabilitation of Kambi-Githongo road in Kamburu Ward in Lari Sub-county	3,522,500	LPO attached in support of the payment voucher was issued on 9 February, 2018 while the delivery note is dated 13 July, 2021 three (3) years after LPO was issued. The payment also relates to a different road other than the one for which the works were awarded
To construction of roads	72,718,238	The payments were supported by two (2) bid documents instead of three (3) and had no values indicated. The procurement was

		through direct procurement method without justification while quotations were opened by one person. A company was issued with quotation documents four (4) months before it was registered as a supplier with the County, Also the contracts and LPOs/LSOs were signed before lapse of mandatory fourteen (14) days period after award of tenders
Various Payments	49,948,043	The payments did not have professional opinions, minutes of tender committees. The quotations were issued without requisitions, committee functions performed by members who do not meet quorum requirements, signing of contracts before lapse of minimum mandatory duration and lack of evidence of communication to successful bidders and unsuccessful bidders
Various Payments	50,663,243	The claims were not listed as pending bills as at 30 June, 2021
Supplier Payments	7,369,314	The voucher was paid as a pending bill supported by a works certificate issued during the year under review as a result of which the payment was charged to the wrong account code
Various companies framework contracts for provision of clearing of garbage at tipping sites in Kang'oki dumpsites	13,500,000	Minutes of evaluation committee revealed that the lowest quoted price was Kshs.7,950 per hour as compared to awarded price of Kshs.9,000 occasioning a loss of Kshs.1,050 per hour, or a total of Kshs.1,575,000.
Various payments to Suppliers	19,464,815	No evidence of authorization and stamping of payment vouchers after the process of releasing of funds to payees leading to possible double payments using the same documents.
Various-meals allowances and surrender of imprest	12,958,020	The amounts were expensed through the payables but were not in the list of pending bills as at 30 June, 2021.
Various payments	164,917,903	The expenditure was irregularly charged to various items instead of the payables budget
Proposed Construction of Ablution Block and Offices at Juja Farm Market	4,782,679	<ul style="list-style-type: none"> • Requisition dated 27 March, 2020 did not include specifications, bills of quantities, technical drawings and expected date of delivery; • Tender opening minutes and evaluation minutes were not attached to the payment voucher • No evidence of notification to winning or unsuccessful bidders • The same committee members carried out the tender opening and evaluation;

		<ul style="list-style-type: none"> No evidence was provided to show that the accounting officer appointed an inspection and acceptance committee.
Construction of Ruiru Sub-county –Roads - Gatongora Ward, Trade by pass road, Speakers Road and Polycarp by pass road Varsity Ville road	4,673,930	The payment relates to works carried out by a local contractor and completed in the financial year ended 30 June, 2022. However, inspection/completion certificates signed by the sub county engineer indicated that the roads were constructed by a different contractor at a cost of Kshs.4,673,930. No procurement records and letters of appointment of the four (4) members of the inspection and acceptance committee were provided.
Maintenance Works at Arusha, Berlin, Dodoma, Jubilee Lane in Tingang'a Ward	2,724,000	<ul style="list-style-type: none"> The payment voucher was listed as a pending bill for the financial year 2017/2018, but was not paid through account code 4130200 under which the budget for pending accounts payables was appropriated Request for quotations were issued on 2 April, 2018, opened and evaluated on 9 April, 2018 and an LPO issued on 12 April, 2018 for a contract period of one (1) month. However, works completion indicate that the works were completed on 11 September, 2019 seventeen (17) months after award and commencement The committee which opened the quotations also evaluated the bids One of the firms invited to quote was registered as a service provider on 3 August, 2018 four (4) months before date of invitation to bid No approved professional opinion was attached to the payment voucher
Purchase of Certified Seeds, Breeding Stock and Live Animals	3,990,000	The confidential business questionnaire shows that two (2) of the three (3) bidders shared the same address thus casting doubt on the competitiveness of the procurement process. The quotations were opened and evaluated by the same committee members while the head of procurement unit did not give a recommendation for the award by way of professional opinion
Supply and installation of streetlights at Gathwariga, Kinale Ward	3,999,332	No evidence that the head of the procurement unit issued Professional Opinion, approval by the accounting officer to the successful bidder, appointment letters for the tender opening committee, tender evaluation committee and inspection and acceptance committee and the payment voucher was not authorized by the accounting officer
Construction of Gachie Drainage, Kihara Ward	9,222,928	No procurement records, Minutes of Tender Opening, Tender Evaluation Committee and

		Professional Opinion was provided for audit review while the payment voucher was not examined and authorized by the accounting officer
Supply, Spreading, Watering and Compaction of Lateritic Gravel/Quarry	4,757,160	the payment was not supported by copies of the Professional Opinion, Minutes of Tender Opening Committee and Tender Evaluation Committee Report. Further, the tender closing period was extended by four (4) days from 3 June, 2021 to 7 June, 2021 based on a letter that was not approved and communicated to all invited bidders
Rehabilitation of Kambi-Githongo Road in Kamburu Ward, Lari Sub County	3,522,500	<ul style="list-style-type: none"> • Requests for quotations and tender opening minutes were not signed by members of Tender Opening Committee • No Tender Evaluation Committee Minutes and Professional Opinion • The payment was not supported by the certificate of inspection and acceptance • Letter dated 13 July, 2021 from the contractor to the Pending bills committee shows that during the site handing over, the works were changed to another site (road) in consultation with the area MCA
Various Payments for goods and services	9,012,500	The payments were supported by tender documents which had no dates indicating when they were issued and returned
Supplier-Procurement of goods	1,983,000	Request for Quotations (RFQ) document was issued on 15 June, 2020 while the tender opening committee minutes are dated 10 June, 2020, six (6) days before the quotations were issued
Renovation Works at Ruiru Veterinary Office	238,680	The request for quotation and an LPO in favor of the company was raised on 31 May, 2018. However, although the professional opinion provided indicated that opening and evaluation exercise were held on 28 May, 2018, minutes attached showed that the exercise was conducted on 29 May, 2019, a day after the opening
Githunguri Sub-County Veterinary Offices	1,310,900	A list of registered suppliers hence it was not provided showing how the supplier was identified. Tender Opening and Evaluation were done on 28 May, 2019 by the same committee members. Evaluation Report did not include preliminary and technical report sections
Construction of Parking, Driveways and Face Lifting of Ruiru Level IV Hospital	12,283,650	This contract sum, differed with Kshs.15,663,750 recorded as the tender sum in the opening minutes and the evaluated amount of the Evaluation Committee Report attached. Physical inspection carried out in the month of September, 2022 revealed that cabro works had fallen off and broken an indication of poor workmanship
Installation and Supply of Flood masts at	3,991,560	<ul style="list-style-type: none"> • The payment voucher was not authorized

Thogoto Shopping Centre		<ul style="list-style-type: none"> • LPO No1596613 was issued and acknowledged on 9 January, 2020 while the letter of notification of award was issued on 10 January, 2020 the same day the unsuccessful bidders were notified • Letter of acceptance of award was issued by the winning bidder on 14 January, 2020 six (6) days after an LPO had been issued • Evaluation was one on 9 January, 2020 same day when day the LPO was issued • Members of the quotation opening committee were appointed on 30 January, 2020 twenty-one (21) days after evaluation had been done and an LPO issued • Quotations were not dated and opened on 6 January, 2020 twenty-four (24) days before the tender opening committee was appointed • Although one of the bidders was registered as a supplier on 15 January, 2020, the said bidder participated in the restricted tender that was opened on 6 January, 2020. • The payment was not in the list of pending bills as at 30 June, 2021
Construction of Two (2) Boda Boda Sheds at Sigona and Mwihoko Wards	867,177	<ul style="list-style-type: none"> • Requests for boda boda sheds for Mwihoko and Sigona Wards were done on 20 March, 2018 and 22 March, 2018 respectively which is inconsistent with the professional opinion date of 16 March, 2018 • A list of registered/prequalified suppliers was not provided • Tender opening and evaluation exercises conducted on 24 May, 2018 was done by the same committee members. No evidence of appointment letters for the members of the opening, evaluation and inspection and acceptance committees • The bidders were not notified of the outcome of the bids • The payment voucher was not stamped
Construction and Rehabilitation Works of Msalala Road Kwa-High Road and Njoro Road in Kiambaa	3,716,229	<p>The works completion certificate was issued on 4 May, 2021. The field verification carried out in the month of September, 2022 could not confirm if site clearing, heavy grading and compacting was done as certified since the road was bushy and had a width of four (4) meters instead of six (6) meters as required in the bills of quantities. Drainage and culverts were not done as contracted in the bill of quantities</p>

Construction of Cannan-Ndururumo-Zone T, Murera Primary School-Kamae MA – acre acces road, Babylon-Kwa chief access, Witiethie Market and Juja – Mungetho access road		The roads were contracted to a local firm according to the report provided by management. However, review of works completion certificates provided dated 10 June, 2022 indicates the same works were undertaken by a different firm at a cost of kshs.5,339,480 in Witiethie ward. No documents were provided to show how the contracted firms were changed
Construction Works of a Classroom Block and a Toilet at Jacob Wells ECDE Centre	4,994,530	<ul style="list-style-type: none"> • Same members opened and evaluated the quotations • Payment voucher was not authorized by the accounting officer • bill of quantities shows a different sum of Kshs.3,995,592 different from Kshs.4,994,530 paid
Pipe Installation Works at Kairi Nguna Magumu Water Project	1,579,041	notification of award and information to unsuccessful bidders, professional opinion, appointment letters for the tender opening committee, tender evaluation committee and inspection and acceptance committee and inspection and acceptance certificate report were not provided for audit verification
Supply and Installation of Flood Masts at Kihumo PCEA junction, Gatuimbi Junction and Nginduri Village	3,999,680	<ul style="list-style-type: none"> • Same members opened and evaluated the quotations • the contractor was not among the prequalified suppliers of the County • No professional opinion issued • No notification of award and acceptance by winning bidder • The delivery note was dated 28 June, 2018 while the certificate of completion was signed on 15 June, 2018 with the LSO was issued on 23 June, 2018 • The inspection and acceptance was done on 19 September, 2019 approximately a year later • Appointment letters for the tender opening committee, tender evaluation committee and inspection and acceptance committee were not provided
Rehabilitation Works of Gachuma-ini to Maya-ini road in Karai Ward	3,846,618	<ul style="list-style-type: none"> • LPO no.1486381 was not fully completed and was not signed by the contractor • Same members opened and evaluated the quotations while the minutes did not include works and were signed by 2 members • bill of quantities attached to all the three quotations were not signed by the bidders and no professional opinion was issued.

Construction and Rehabilitation of Kihara - Karura Ring Roads and Kabera ACK – St. Philips Karumbi Road	4,030,014	<ul style="list-style-type: none"> • No publicity sign for the project • No evidence of works done, while road had a width of 4M instead of the 6M width as required in the bills of quantities. • Drainage and culverts works was not done • No joint measurement sheets were not provided for audit verification to confirm the nature of work certified. Further, no site minutes and progress reports were provided.
Construction Works of a 4 Storeyed Type Medical Ward Block at Lari Sub-county Hospital	18,368,968	<ul style="list-style-type: none"> • Documents provided showed that the advert for invitation of bids was done 30 March, 2015 in a local daily. However, dates or information of where and when tenders shall be submitted and where and when the tenders shall be opened was not indicated. • No appointment ad-hoc committees to perform the functions of tender opening and tender evaluation • The contractor quoted a tender price of Kshs.192,598,773 while the lowest evaluated price was Kshs.191,807,805 resulting to an unexplained variance Kshs.790,968 • Tender documents including professional opinion were not provided for verification
Total	707,201,771	