

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
COUNTY GOVERNMENT OF
KIAMBU**

**FOR THE YEAR ENDED
30 JUNE 2015**



OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of County Government of Kiambu set out on pages 10 to 63, which comprise the statement of assets as at 30 June 2015, and statement of receipts and payments, statement of cash flows, and summary statement 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 8 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

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

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

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

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

Basis for Qualified Opinion

1.0 Accuracy of the Financial Statements

1.1 Unexplained differences

During the financial year under review, total payments figure increased by Kshs.2,055,026,065.00 from Kshs.7,027,078,778.00 for the year ended 30 June 2014 to Kshs.9,082,104,843.00 for the year ended 30 June 2015. However, a review of departmental payment analysis provided for audit verification revealed that the County Government made payments in 2014/2015 period totaling Kshs.9,977,088,247.65, resulting in unexplained variance of Kshs.894,983,404.65.

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June 2015 could not be confirmed.

1.2 Unreconciled IFMIS and Financial Statement Balances

A comparative analysis of figures reported in the financial statements and IFMIS balances revealed difference as tabulated below:

| Details | Amount as per Financial Statement (Kshs.) | Balance as per IFMIS Report (Kshs.) | Difference (Kshs.) |
|------------------|--|--|-------------------------------|
| Receipts | 8,727,100,732 | | 8,727,100,732 |
| Payments | 9,082,104,843 | 8,505,412,930 | 576,691,913 |
| Financial Assets | 37,350,240 | - | 37,350,240 |

These variances were not explained or reconciled.

2.0 Compensation of Employees

The statement of receipts and payments for the year ended 30 June 2015 reflects compensation of employees figure of Kshs.4,323,636,541. However, analysis carried out on compensation of employees in IPPD and manual payroll system indicated that the cost amounted to Kshs.3,994,678,177.50. The resultant variance of Kshs.328,958,363.50 was not reconciled and explained. Further, the compensation of employees expenditure of Kshs.4,323,636,541 accounted for 49.5% of the total revenue.

However, there was no percentage of expenditure on wages and benefits against total revenue prescribed in a regulation by the County Executive Committee Member for Finance and approved by the County Assembly as required by Section 107(2) of the Public Finance Management Act, 2012.

Consequently, the accuracy of compensation of employees expenditure of Kshs.4,323,636,541 for the year ended 30 June 2015 could not be confirmed.

3.0 Use of Goods and Services

The statement of receipts and payments for the year ended 30 June 2015 reflects use of goods and services expenditure of Kshs.1, 432,376,857. However, supporting schedules provided for audit review indicate a total expenditure of Kshs.1,405,688,546 resulting in an unexplained difference of Kshs.26,688,311.

In the circumstances, it has not been possible to confirm the accuracy of use of goods and services figure of Kshs.1,432,376,857 for the year ended 30 June 2015.

4.0 Acquisition of Assets

Note 9 to the financial statements reflects acquisition of assets figure of Kshs.2,470,919,818. Included in this figure is an amount of Kshs.30,000,000 relating to purchase of land during the year. However, there was no evidence that the County Government acquired any land during the year under review. Further, as previously reported, the County Government did not maintain a fixed assets register to record its fixed assets and the non-financial assets acquired during the year could not be linked to the summary of fixed assets register under annex 1 to the financial statements.

In addition, 2013/2014 comparative figure for acquisition of assets of Kshs.1,347,819,141 was over cast by Kshs.4,222,883.

In the circumstances, the accuracy and completeness of the acquisition of assets figure of Kshs.2,470,919,818 for the year ended 30 June 2015 could not be confirmed.

5.0 Cash and Cash Equivalents

The statement of financial assets as at 30 June 2015 reflects cash and cash equivalents balance of Kshs.32,961,607 comprising of bank balances and cash on hand balances amounting to Kshs.31,646,310 and Kshs.1,315,297 respectively. However, the County Assembly bank balance of Kshs.11,086,600 held at Co-operative Bank as at 30 June 2015 was omitted from the statement of assets as at 30 June 2015.

Consequently, the accuracy and validity of the cash and cash equivalents balance of Kshs.32,961,607 could not be ascertained as at 30 June 2015.

6.0 Accounts Receivable – Outstanding Imprest

The statement of financial assets as at 30 June 2015 reflects accounts receivables balance of Kshs.4,388,633 in respect for outstanding imprests. However, the County Assembly outstanding imprests amounting to Kshs.123,500 as at 30 June 2015 were omitted from the financial statements. No reason was provided for the omission. Further, ^{the} management has not provided reasons for long delay in accounting for the funds or whether recoveries have been made from the imprest holders. Consequently, the accuracy of the accounts receivable balance of Kshs.4,388,633 as at 30 June 2015 could not be ascertained.

7.0 Accounts Payables – Deposits and Retention

The statement of assets includes accounts payables deposits and retention balance of Kshs.2,487,517 as at 30 June 2015. However, the breakdown of accounts payables figure of Kshs.2,487,517 was not disclosed in the notes to the financial statements. Further, schedules supporting deposits and retention balance of Kshs.2,487,517 as at 30 June 2015 were not availed for audit review.

In the circumstances, the accuracy of accounts payables balance of Kshs.2,487,517 as at 30 June 2015 could not be confirmed.

8.0 Unsupported Prior Year Adjustment

The statement of assets as at 30 June 2015 includes prior year adjustments figure of Kshs.189,857,753. However, a journal voucher prepared in support of the adjustment was not provided for audit. Consequently, the nature and purpose of this adjustment could not be confirmed.

9.0 Pending Bills

Annex 3 to the financial statements reflects pending bills totaling Kshs.608,992,518.54 as at 30 June 2015 relating to recurrent and development accounts. However, movement schedules, suppliers' statements, invoices and ledger the for the pending bills were not provided for audit review. Further, pending bills owed by the County Assembly of Kiambu amounting to Kshs.44,968,873.44 as at 30 June 2015 were not disclosed as part of the pending bills in these financial statements. No reason was provided for the omission.

Consequently, the existence and accuracy of accounts payable figure of Kshs.608,992,518.54 as at 30 June 2015 could not be confirmed.

10.0 Assets and Liabilities Inherited from Defunct Local Authorities in Kiambu

Annex 1 to the financial statements reflects value of assets balance of Kshs.1,745,493,576 as at 30 June 2015. However, as previously reported, the County Government's financial statements exclude the opening balances for assets and liabilities inherited from the defunct local authorities. Further, the Transition Authority is yet to formally finalize the handover of the assets and liabilities of the defunct local authorities to the County Government.

In the circumstances, the accuracy, and completeness of the fixed assets owned by the County Government as at 30 June 2015 could not be confirmed.

11.0 Unresolved Prior Year Matters

As previously reported in 2013/2014, the various account balances were not reconciled with the schedules and IFMIS analysis as detailed below:

| Item | Financial statements figure Kshs. | Schedule/ IFMIS analysis figure Kshs. | Difference Kshs. |
|-------------------------------------|--|--|-----------------------------|
| Compensation of employees | 4,114,465,720 | 3,734,402,099 | 380,063,621 |
| Grants and other transfers | 350,484,507 | 138,104,656 | 212,379,851 |
| Acquisition of Non-Financial Assets | 1,117,319,141 | 605,630,102 | 511,689,039 |

Further, net salaries amounting to Kshs.1,642,847 returned by various banks during the year ended 30 June 2014 were wrongly treated as revenue by Thika sub County. These errors have not been corrected even in these financial statements.

Qualified Opinion

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

Other Matter

1.0 Budgetary Performance Analysis

The County Government had an approved gross total budget for 2014/2015 of Kshs.10,374,050,194 comprising of Kshs.6,943,933,129 (67%) for recurrent and Kshs.3,430,117,065 (33%) for development expenditure while the gross actual expenditure amounted to Kshs.9,082,104,843 as follows:

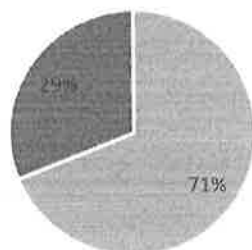
| Item | Budget 2014/2015 | Actual 2014/2015 | Absorption rate % | As % of Total Expenditure |
|------------------|-----------------------------|-----------------------------|----------------------------------|--------------------------------------|
| Recurrent Vote | 6,943,933,129 | 6,474,652,464 | 93% | 71% |
| Development Vote | 3,430,117,065 | 2,607,452,379 | 76% | 29% |
| Total | 10,374,050,194 | 9,082,104,843 | 87% | 100% |

The analysis shows that the County Government underspent by a total of Kshs.1,291,945,351 during the year under review. Actual expenditure for development vote amounted to Kshs.2,607,452,379 or 76% of approved budget of Kshs.3,430,117,065. No explanation was provided for the failure to adhere to the approved budget.

1.1 Expenditure Analysis for 2014/2015

The approved final budget for Kiambu County Government was Kshs.6,943,933,129 for recurrent and Kshs.3,430,117,065 for development while actual expenditure for recurrent amounted to Kshs.6,474,652,464 and development total to Kshs.2,607,452,379 as illustrated in the pie chart below:-

Actual Expenditure



■ Recurrent Vote ■ Development Vote

Actual Expenditure Vs Budget

The County Government analysis of budget against actual expenditure for the year under review is given as follows:

| Recurrent Expenditure | | | |
|---|--|---|----------------------------------|
| Vote Title | Approved Budget 2014/2015 Kshs. | Actual Expenditure 2014/2015 Kshs. | Under Expenses Kshs. |
| County Executive (Governor's office) | 287,848,636 | 276,536,999 | 11,311,637 |
| County Public Service Board | 62,281,333 | 57,177,605 | 5,103,728 |
| Finance & Economic Planning | 853,495,978 | 736,458,573 | 117,037,405 |
| Administration & Public Service | 399,325,318 | 362,543,064 | 36,782,254 |
| Agriculture, Livestock & Fisheries | 365,134,362 | 348,226,757 | 16,907,605 |
| Water, Environment & Natural Resources | 167,654,509 | 157,859,823 | 9,794,686 |
| Health Services | 2,806,902,261 | 2,725,837,300 | 81,064,961 |
| Educations, Culture & social services | 388,204,905 | 377,407,169 | 10,797,736 |
| Youth & Sports | 140,528,260 | 128,903,825 | 11,624,435 |
| Lands, Physical, Planning & Housing | 127,389,310 | 111,890,654 | 15,498,656 |
| trade, Tourism, Industry & Co-operative | 156,377,803 | 150,584,868 | 5,792,935 |
| Roads, transport & Public Works | 324,373,740 | 232,404,670 | 91,969,070 |
| County Assembly | 864,416,714 | 808,821,149 | 55,595,565 |
| Total | 6,943,933,129 | 6,474,652,462 | 469,280,673 |
| | | | |
| Development Expenditure | | | |
| Vote Title | Approved Budget- Kshs. | Actual Expenditure Kshs. | Under Expenses- Kshs. |
| County Executive (Governor's office) | 6,720,000 | 6,574,080 | 145,920 |
| Finance & Economic Planning | 97,213,935 | 86,695,287 | 10,518,648 |
| Administration & Public Service | 274,000,000 | 227,870,553 | 46,129,447 |
| Agriculture, Livestock & Fisheries | 179,400,000 | 148,664,078 | 30,735,922 |
| Water, Environment & Natural Resources | 235,500,000 | 185,202,382 | 50,297,618 |
| Health Services | 586,783,130 | 486,516,835 | 100,266,295 |

| | | | |
|---|----------------------|----------------------|--------------------|
| Educations, Culture & social services | 408,000,000 | 310,098,969 | 97,901,031 |
| Youth & Sports | 357,500,000 | 191,896,094 | 165,603,906 |
| Lands, Physical, Planning & Housing | 177,000,000 | 79,100,553 | 97,899,447 |
| Trade, Tourism, Industry & Co-operative | 185,000,000 | 85,024,076 | 99,975,924 |
| Roads, Transport & Public Works | 895,000,000 | 772,832,903 | 122,167,097 |
| County Assembly | 28,000,000 | 26,976,570 | 1,023,430 |
| Total | 3,430,117,065 | 2,607,452,380 | 822,664,685 |

The above analysis reflect recurrent expenditure for 2014/2015 amount to Kshs.6,474,652,462 against an approved budget of Kshs.6,943,933,129, resulting in under expenditure of Kshs.469,280,673 (6.8%). The under expenditure was in all departments. Further, the County Government incurred development expenditure amounting to Kshs.2,607,452,380 against approved budget of Kshs.3,430,117,065 resulting in under expenditure of Kshs.822,664,685 (24%). No explanation was provided for the under expenditure.

1.2 Development Expenditure for 2014/2015

The County Government had planned to implement two hundred and fifty six (256) projects during the year under review, excluding department of Roads, Transport and Public works whose analysis was not made available for audit review. As at 30 June 2015, one hundred and ninety six (196) projects were complete, thirty eight (38) projects were ongoing and twenty two (22) projects had not been implemented as analyzed below:

| Department | No. Budgeted projects | Status | | | Budgeted Cost (Kshs) | Actual Cost (Kshs) | Variance Kshs | Variance as % Budget |
|---|-----------------------|--------------------------|--------------------------|---------------------|----------------------|----------------------|--------------------|----------------------|
| | | No of Completed Projects | No. of On-going Projects | No. Not Implemented | | | | |
| Agriculture, Livestock and Fisheries | 76 | 70 | 0 | 6 | 164,400,000 | 137,468,706 | 26,931,294 | 16% |
| Land, Housing and Physical Planning | 2 | 0 | 2 | 0 | 20,000,000 | 14,616,473 | 5,383,527 | 27% |
| Water, Environment and Natural Resources | 24 | 12 | 11 | 1 | 134,000,000 | 116,787,768 | 17,212,232 | 13% |
| Education, Culture, ICT & Social Services | 22 | 20 | 0 | 2 | 162,000,000 | 153,995,951 | 8,004,049 | 5% |
| Public Service & Administration | 8 | 1 | 1 | 6 | 18,000,000 | 2,986,288 | 15,013,712 | 83% |
| Health | 55 | 50 | 2 | 3 | 166,000,000 | 155,257,350 | 10,742,650 | 6% |
| Trade, Tourism, Industry and Cooperative | 69 | 43 | 22 | 4 | 168,136,211 | 45,977,151 | 122,159,060 | 73% |
| Roads, Transport and Public works | | No information provided | | | 895,000,000 | 772,832,903 | 122,167,097 | 14% |
| Total | 256 | 196 | 38 | 22 | 1,727,536,211 | 1,399,922,590 | 327,613,621 | 19% |

As a result it could not be ascertained whether the budgeted funds were used on the intended projects.

1.3 Re-allocation of Funds

Records maintained by the County Government indicated that funds totaling Kshs.149,185,035.00 voted for various departments were reallocated from one sub-head/item to another as per the analysis below:-

| Department | Amount (Kshs.) | Funds Budgeted For | Reallocated To |
|---|--------------------|---|---|
| Trade, Tourism, Industry and Co-operative | 1,556,000 | Purchase of house hold furniture sub-head | Investments Kenya Ltd for a two page slot in the Kenya Year Book |
| Health Services | 50,310,449 | Refurbishment of buildings vote | Supply and installation of mortuary equipment at Thika Level Five Hospital |
| Education, Culture, ICT and Social Services | 62,318,586 | Construction and refurbishment of buildings under pre-primary education and youth polytechnic | Procurement of assorted equipment's for youth Polytechnics, motor vehicle for the department and computer accessories |
| Water, Environment and Natural Resources | 35,000,000 | Budgeted for acquisition of land | Purchase of a bulldozer amounting to Kshs.21 Million and Supply Installation & Commissioning of a chemical free portable purification system amounting to Kshs.14Million. |
| TOTAL | 149,185,035 | | |

However, although it was explained that the reallocations had been approved by the Controller of Budget, no such approvals were made available for audit verifications.

1.4 Staff Salaries and Wages

Analysis of staff salaries and wages for the County Government is as follows:

| Details | Actual 2013/2014 | Actual 2014/2015 | Approved Budget 2014/2015 | Under Expenses |
|--------------------------------------|------------------|------------------|---------------------------|----------------|
| Basic salaries, wages and allowances | 4,114,465,720 | 4,323,636,541 | 4,409,820,076 | 86,183,535 |

- (i) Compensation of employees approved budget for the period ended 30 June 2015 was Kshs.4,409,820,076, while actual expenditure was Kshs.4,323,636,541 resulting in under expenditure of Kshs.86,183,535.
- (ii) Out of total county expenditure of Kshs.9,082,104,843 during the period ended 30 June 2015, the salaries and wages of Kshs.4,323,636,541 represents approximately 48% of the total expenditure. Further, the total expenditure on salaries and wages during the year under review represents 62% and 68% of total recurrent budget and

recurrent actual expenditure of Kshs.6,943,933,129 and Kshs.6,474,652,464 respectively.

- (iii) The total county employee cost increased by Kshs.209,170,821 in 2014/2015 financial year as compared with actual amount incurred in 2013/2014. No explanation was provided for the material increase.

1.5 Office of the Governor

During the year under review, the Office of the Governor had an approved total expenditure budget of Kshs.294,568,636 comprising of development expenditure allocation of Kshs.6,720,000 (2.3%) and recurrent budget of Kshs.287,848,636 (97.7%). The actual total expenditure was Kshs.283,111,079 comprising of Kshs.6,574,080 development expenditure and Kshs.276,536,999 recurrent expenditure resulting in under expenditure of Kshs.11,457,557, or 3.9% of total expenditure budget. The analysis of the department recurrent expenditure is given below:-

| Title and Details | Approved Estimates Kshs. | Actual Expenditure Kshs. | Under Expenditure Kshs. | As % of total Expenditure Kshs. |
|---|--------------------------|--------------------------|-------------------------|---------------------------------|
| Basic Wages - Temporary Employees | 163,450,164 | 163,293,712 | 156,452 | 59.05 |
| Personal Allowances paid as part of Salary | 1,728,000 | 1,728,000 | 0 | 0.62 |
| Utilities, Supplies and Services | 200,000 | 199,980 | 20 | 0.07 |
| Communication, Supplies and Services | 4,000,000 | 3,736,000 | 264,000 | 1.35 |
| Domestic Travel and Subsistence, and Other Transportation Costs | 31,500,000 | 29,790,745 | 1,709,255 | 10.77 |
| Foreign Travel and Subsistence, and other transportation costs | 13,500,000 | 12,915,081 | 584,919 | 4.67 |
| Printing , Advertising and Information Supplies and Services | 4,482,377 | 4,140,497 | 341,880 | 1.50 |
| Rentals of Produced Assets | 8,000,000 | 7,706,667 | 293,333 | 2.79 |
| Training Expenses | 5,000,000 | 3,921,378 | 1,078,622 | 1.42 |
| Hospitality Supplies and Servi | 12,608,095 | 11,448,180 | 1,159,915 | 4.14 |
| Insurance Costs | 4,300,000 | 4,300,000 | 0 | 1.55 |
| Specialised Materials and Supp | 500,000 | 497,280 | 2,720 | 0.18 |
| Office and General Supplies and Services | 5,480,000 | 4,891,023 | 588,977 | 1.77 |
| Fuel Oil and Lubricants | 6,000,000 | 5,822,341 | 177,659 | 2.11 |
| Other Operating Expenses | 10,450,000 | 9,592,082 | 857,918 | 3.47 |
| Routine Maintenance - | 6,500,000 | 6,382,937 | 117,063 | 2.31 |

| | | | | |
|--|--------------------|--------------------|-------------------|---------------|
| Vehicles | | | | |
| Routine Maintenance - Other Assets | 350,000 | 165,620 | 184,380 | 0.06 |
| Purchase of Office Furniture and General Equipment | 9,800,000 | 6,005,478 | 3,794,522 | 2.17 |
| Total | 287,848,636 | 276,536,999 | 11,311,637 | 100.00 |

2.0 Revenue Analysis

The total revenue received by the County Government increased by Kshs.1,120,297,367 from Kshs.7,606,803,365 in 2013/2014 to Kshs.8,727,100,732 in 2014/2015. The increase was as a result of increased exchequer releases, grants and improved local revenue collection as analyzed below:

| Revenue Source | 2013/2014 Actual - Kshs | 2014/2015 Actual -Kshs | 2014/2015 Budget -Kshs. | Under collection | Actual as % of Budget |
|--------------------|-------------------------|------------------------|-------------------------|----------------------|-----------------------|
| Exchequer Releases | 6,169,406,739 | 6,616,244,176 | 6,726,815,609 | 110,571,433 | 98% |
| County Revenue | 1,437,396,626 | 2,110,856,556 | 3,241,234,585 | 1,130,378,029 | 65% |
| Total | 7,606,803,365 | 8,727,100,732 | 9,968,050,194 | 1,240,949,462 | 88% |

The above analysis indicate that:-

- (i) The County Government of Kiambu collected revenue amounting to Kshs.2,110,856,556 from local sources compared to Kshs.1,437,396,626 collected in 2013/2014, representing a 47% increase in local revenue collection from the previous year.
- (ii) The County Government had budgeted to collect Kshs.3,241,234,585 revenue in 2014/2015. However, the County Government collected Kshs.2,110,856,556 during the same period, resulting in a shortfall of Kshs.1,130,378,029 (35%) from the target. Similarly, the County Government had budgeted to receive exchequer releases amounting to Kshs.6,726,815,609. However, the County received Kshs.6,616,244,176, resulting to a shortfall of Kshs.110,571,433. No explanation was given for these under performance in revenue collection.

2.1 Duplicate Receipt Numbers in the Revenue Collection System

The receipt number for the revenue collection systems operated by the County Government is an auto generated number. This number is supposed to uniquely identify a transaction and therefore ought not to have duplicates. However, analysis of the transaction file for the Riverbank system and LAIFOMS revealed duplicated receipt numbers totaling Kshs.359,572,490 as summarized in below.

| SYSTEM | Sub County | No. of receipts | Amount |
|--------------|------------|-----------------|--------------------|
| LAIFOMS | Kabete | 2058 | 35,814,057 |
| | Thika | 54549 | 323,758,433 |
| Riverbank | | 32257 | 9,884,571 |
| Total | | | 359,572,490 |

No explanation was provided for the duplicate receipts which may conceal revenue losses.

2.2 Valuation of Properties for Rating Purposes

It was noted that the County Government was using an out dated valuation roll. In addition, analysis of properties data maintained by the Strathmore system revealed the following:

- (i) The County Government had 30,053 properties including plots and stalls valued at zero shillings and the others at negligible values despite being located in prime areas within the County.
- (ii) The County Government has 544 properties that are neither charged ground rent nor land rates and some attract negligible rates.

Revenue loss may occur as a result of the inaccurate records. The County Government should therefore review the cases noted for remedial action.

2.3 Accumulated Ground Rent and Land Rates and Penalties

Analysis of the properties' data maintained by the Strathmore system revealed that the County Government had accumulated ground rent and land rates arrears and penalties on properties totaling Kshs.2,652,790,527.06 for the year ended 30 June 2015. However, little effort appears to have been made to recover the amounts.

2.4 Properties with no Physical Address and Acreage

Out of the thirty six thousand eight hundred and sixty (36, 860) properties captured by the County Government as per the Strathmore revenue system, two thousand eight hundred and seventy (2,870) did not have their physical address updated in the system while the acreage of two hundred and twenty (220) was not captured in the system.

In absence of the physical address of the properties, the County Government may be unable to enforce the collection of annual ground rent and land rates amounting to Kshs.10,980,318.36 per year and net accumulated arrears totaling Kshs.69,140,075.60

2.5 House Rent Arrears

According to data maintained by LAIFOMS system, the County Government of Kiambu has a total of 413 rental houses. Analysis of data in relation to house rent revealed that house rent arrears stood at Kshs.78,364,911 as at 30 June 2015. The accumulated rent deny the County Government the much needed revenue for service delivery. A summary of arrears is as follows:

| Sub County | No. of houses | Arrears as at 30 June 2015 |
|-------------------|----------------------|-----------------------------------|
| Kiambu | 265 | 11,944,811 |
| Gatundu | | |
| South | 1 | 1,700 |
| Kabete | 1 | 4,000 |
| Limuru | 125 | 1,690,900 |
| Ruiru | 235 | 6,211,330 |

| | | |
|--------------|------|-------------------|
| Thika | 2839 | 58,512,170 |
| Total | | 78,364,911 |

Further, rent was not charged on 168 houses located mainly in Kiambu and Thika towns. It was not explained why such a high number of houses are not generating revenue as expected.

2.6 Revenue Collection Systems

During the year under review, the County Government through an open national tender, procured and implemented a revenue collection system and business intelligence and analytics system. However, a review of the revenue collection system revealed the following security vulnerabilities:-

(i) Generic names in the Active Directory and in Revenue Collection Systems

User names should be assigned in such a way as to ensure traceability of information events and accountabilities. Users of the revenue system are authenticated using the active directory. A review of the users in the Riverbank system and Strathmore systems as per the active directory, revealed users with generic names. Upon enquiry, it was noted that most of these users are not County employees and thus should not have access to the system. In addition, there were users with multiple accounts.

(ii) Lack of Audit Trail

It was noted that the revenue collection systems do not maintain an audit trail. In addition, the Riverbank System servers' are hosted by the supplier meaning it is possible for the system supplier to manipulate the revenue records without the knowledge of the County Government.

The absence of audit trail that captures adequate information exposes the organization to unauthorized system actions, such as inputting, deleting or modifying sensitive data, which may not be identified and resolved in a timely manner. A good audit trail should record who initiated the transaction, time of the day and the date of entry, what field of information it contained and what file it updated.

3.0 County Projects and Procurement of Goods and Services

3.1 Construction of Nderi Bus Park and Rehabilitation of Bus Park and Drainage System at Dagoreti Bus Park

The County paid total sum of Kshs.1,907, 420 to M/s Ndeiya Construction Ltd on 25 February 2015 comprising of Kshs.1,095,880 for the construction of bus park at Nderi Shopping Centre and Kshs.811,540 for the rehabilitation of bus park and drainage system at Dagoreti Bus Park. However the following anomalies were noted:

a) Construction of Bus park at Nderi Shopping Centre

A review of quotations submitted for construction of bus park at Nderi shopping centre indicated that five (5) firms submitted bids. However, the second highest evaluated bidder, M/s Ndeiya Construction Limited was awarded the contract at a cost of Kshs.1,095,880

instead of the lowest evaluated bidder, M/s Digene Construction Limited who had quoted Kshs.902,220.

A visit of Nderi Bus Park in October 2015 revealed that the project had not been commissioned, more than one year after its completion.

b) Rehabilitation of Bus Park and Drainage System at Dagoreti Bus Park

Similarly, a review of procurement records submitted for rehabilitation of the bus park and drainage system at Dagoreti bus park indicated that five (5) firms submitted quotation. However, the second highest evaluated bidder, M/s Ndeiya Construction Limited was awarded the contract at a cost of Kshs.811,540 instead of the lowest evaluated bidder, M/s Yang Yang Construction Limited who had quoted Kshs.711,000.

No justified reason was provided by management as to why the lowest evaluated bidder was not awarded the contract.

3.2 Construction of Ablution Block and Landscaping at Fourteen Falls

The contract was awarded to M/s Raken Limited at a contract sum of Kshs.11,300,000 and a total of Kshs.3,360,740 had been paid to the contractor as at 30 June 2015. Physical verification of the project revealed that construction works had started but had not been completed. Landscaping works had not started. It was noted that the area under which the project was being undertaken including landscaping had not be fenced/secured. County Management explained that there was no clear demarcation between the County Land and neighboring private land leading to a possible dispute and loss of public funds.

4.0 Department of Agriculture, Livestock and Fisheries

4.1 Supply, Installation, Testing and Commissioning of 500 Litre Complete Continuous Pasteurizer

Records maintained by the County Government indicate that the contract for supply, installation, testing and commissioning of 500 litre complete continuous pasteurizer was awarded to M/s Dairy Systems & Services Ltd at a contract sum of Kshs.10,998,000 through open tender. However, the contract required that 10% of contract sum be retained until the expiry of 6 months defect liability warranty period and on certification of no defects by project manager appointed by the County Government. However, the total amount of Kshs.10,998,000 contract sum was irregularly paid in two installments of 20% and 80%, only 2 months after execution of the contract. At the time of the payments, there was no evidence that the equipment had been commissioned.

Consequently it has not been possible to confirm the propriety of the expenditure.

4.2 Supply, Testing and Commissioning of eight (8) Milk Cooling Tanks

The contract for supply, testing and commissioning of eight (8) milk cooling tanks was awarded to Dairy Systems & Services Ltd on 6 May 2015 at a contract sum of Kshs.28,373,000.

Records indicates that only two (2) bidders passed mandatory requirements and were therefore subjected to technical evaluation. However, after the technical evaluation, one bidder was disqualified despite meeting the technical requirements.

It was further noted that out of a total of eight (8) Coolers, 5 were still lying in the County store at the time of audit in November 2015 and had not been delivered to the sites for installation and testing.

4.3 Construction of Concrete Reinforced Intake Weir and Intake Chamber

The contract for construction of concrete reinforced intake weir and intake chamber with vertical baffles was awarded to M/s Jutika General Agencies Ltd on 27 February 2015 at a cost of Kshs.3,500,000. The total contract sum of Kshs.3,500,000 was paid on 30 June 2015 vide payment voucher No. 337.

Physical verification of the project revealed that work had been completed and the project handed over to the County Government. However, the bill of quantities was not itemized indicating the specific deliverables. The contractors quoted based on block quantities for the two items. Therefore, it was not possible to ascertain how the contract sum of Kshs.3.5 million was determined.

5.0 Department of Health Services

5.1 Excess Procurement of Goods

Records indicate that the Department of Health procured goods worth Kshs.18,351,150 in the month of June 2015, weeks to the close of the financial year. The expenditure was incurred mainly towards purchase of medical equipment, non-pharmaceuticals items and drugs. However, a scrutiny of the store records revealed that most of the goods were lying in the stores. It is not clear why such large quantities of goods were procured only to be dumped in the store.

It was also noted that the store where drugs, laboratory equipment and non-pharmaceuticals are stored is an old, damp and dilapidated room converted into a drugs store. Further, the drugs are stored in very unsafe and unhygienic conditions which may result in contamination and hence waste of public funds.

In addition, the exact quantities of all stocks could not be ascertained as the drugs in the stores visited were not properly arranged.

5.2 Construction and Equipping of Neurosurgery Ward at Kiambu Level 4 Hospital

During the year 2013/2014, the County Government spent an amount of Kshs.11,680,020.20 in respect of refurbishment of Ward A that was being converted into neurosurgery facility. The contract involved works, services and equipping the old ward A for conversion into neurosurgery ward as follows:

- (i) Refurbishment of the old maternity ward including partitioning, painting and repair works- Kshs.4,076,830.20.
- (ii) Oxygen piping - Kshs.733,620.
- (iii) Supply, installation and commissioning of air conditioner- Kshs.723,000.

- (iv) Supply, installation of theatre lighting and related equipment such as suction machine – Kshs.6,146,570

However, as at the time of audit, the neurosurgery ward had not been put into use, despite the expenditure of Kshs.11,680,020.20.

5.3 Irregular purchase of 50Kg Heavy Duty Laundry Machine

M/s Finchery (K) Ltd were paid for supply and delivery of two (2) 50kg heavy duty laundry machine for Tigoni District Hospital and Thika Level 5 Hospital. The payments were made vide payment voucher Nos. 3140 and 1461/1 amounting to Kshs.4,496,000 each. However, the department did not indicate the specifications of the items bought. It was therefore difficult to establish if the delivered items were of the right specifications.

In the circumstances, it was has not been possible to ascertain the propriety of this expenditure.

6.0 Department of Youth Affairs and Sports

6.1 Direct Procurement of Goods

An expenditure of Kshs.945, 000.00 was incurred on the purchase of assorted football equipment from M/s Pacins Enterprises (Kshs.465,000) and M/s Suze Ltd (Kshs.480,000). However, according to documents availed for audit verification the goods were directly procured from the firms instead of through competitive bidding. It was further noted that the firms were not in the 2014/2015 pre-qualified list of suppliers.

In addition, an expenditure of Kshs.420,000.00 was incurred on the purchase of footballs from M/s Ruiru Sports Collection. Examination of supporting documents attached to the payment voucher No. 356 dated 24 June 2015 revealed that specific brand footballs were also referred to in the requisitions. No explanation has been given for this irregularity that favored a particular company/brand name in contravention of the law. ←

6.2 Procurement of Event Organizing Services

An amount of Kshs.1, 553,820 was paid to M/s Code-Red Entertainment Ltd in two installments being payment for event organizing on 28 October 2015 and 10 October 2014 of Kshs.1,089,820 and Kshs.464,000. It was however, not explained how this firm was identified and awarded the contract.

7.0 Expenditure on Procurement of Consultancy on Human Resource Audit

A review of records of County Public Service Board revealed that an amount of Kshs.2,552,000 was paid to M/s Vas Consultant Limited for rendering consultancy services on human resource audit. However, a report compiled by the consultant had not been implemented by the Human Resource Department at the time of audit.

8.0 Administration and Public Service Department

8.1 Fabrication of Ward Administrators' Offices

The County Government awarded contract Ref. No. KCG/PSA/001/2015 to M/s Steel Structures Ltd for supply of fifteen (15) fabricated offices to be used by ward administrators, through restricted tendering method at a contract sum of Kshs.12,180,000. However, no justification was provided for use of alternative procurement method rather than through open tender in accordance to Section 73(1) of the Public Procurement and Disposal Act, 2005.

According to the contract agreement signed on 9 April 2015, the works were supposed to run for 129 days (approximately four months) to completion. However, at the time of the audit, seven months after the commencement of the contract, the works were incomplete. The County Government has not explained the cause of the delay in implementation of the project.

9.0 Configuration of Bank Accounts in IFMIS

During the year under review, the County Government operated that following bank accounts:-

| | Bank | Account Name | Aaccount No. | Balance as at 30.06.2015 |
|---|-----------------------|-----------------------------------|---------------|-----------------------------|
| 1 | Central Bank | County Revenue Fund Account | 1000170646 | 866,291.85 |
| 2 | Central Bank | Recurrent | 1000170409 | 147,280.85 |
| 3 | Central Bank | Development | 1000170457 | 121,608.20 |
| 4 | Co-op Bank | Kiambu County Revenue | 1141371543502 | 22,642,248.13 |
| 5 | Kenya Commercial Bank | Kiambu County Revenue | 1164796372 | 7,476,528.90 |
| 6 | Co-op bank | Kiambu County Operational account | 1141371543500 | 392,352.40 |
| 7 | Co-op bank | Kiambu county Development account | 1141371543501 | - |
| | | | Total | 31,646,310.00 |

However, the only recurrent and development bank accounts both held at Central Bank had been configured in IFMIS. Therefore, it was not possible to track the transactions related to those accounts outside IFMIS which is the principal reporting system for the county governments. Further, operating on numerous accounts makes it difficult to monitor cash flows and expenditure of the county government.

10.0 Personnel Matters

10.1 Appointment to Pensionable Establishment

Analysis of staff register data revealed that sixteen (16) officers were employed on pensionable terms when they were more than 50 years of age. According to Pensions Act

Cap (189), appointment to the pensionable establishment should normally be restricted to officers who will be in a position to offer at least ten (10) years' service in order to qualify for the grant of a pension before reaching the age of compulsory retirement.

10.2 Sharing of Bank Accounts

Analysis of the bank remittance data for the month of June 2015 revealed employees sharing bank accounts. This points out to possible existence of ghost workers in the payroll leading to loss of funds.

10.3 Data Integrity

The following data integrity issues were noted:

a. Officers on Temporary Terms

As at June 2015, thirty (30) officers in Job group E and above were on temporary establishment. However, verification from a sample of personal files revealed that most of these employees were doctors seconded from the Ministry of Health and were on permanent and pensionable terms.

b. Officers on Probation Terms

The staff register for the month of June 2015 revealed that two hundred and thirty eight (238) employees were on probation yet they were in employment for more than one year. Further, review of personnel files revealed that some of these officers had been confirmed but the staff register was not updated to reflect the same.

My opinion is not qualified in respect of these matters.



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

Nairobi

27 September 2016