REPUBLIC OF KENYA

OFFICE OF THE AUDITOR- GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY GOVERNMENT OF NAIROBI CITY

FOR THE YEAR ENDED 30 JUNE 2015

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of County Government of Nairobi City set out on pages 6 to 31, which comprise the statement of financial assets as at 30 June 2015, and the 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.

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. 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 the 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.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I am not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1. Going Concern

The statement of financial assets as at 30 June 2015, reflects an accumulated deficit for the year of Kshs.1,585,813,209 and a negative total financial assets of Kshs.1,243,956,397. This indicate the existence of material uncertainty, which may cast significant doubt about the ability of the Nairobi City County Government to continue as a going concern.

2. Revenue

The statement of receipts and payments as at 30 June 2015 reflects an amount of Kshs.11,417,412,109 under other receipts, which relates to revenue raised from own sources. The County has a weak internal control system in regard to revenue collection and accountability. Irregularities or errors may have occurred which could may have been detected. The process of revenue collections was outsourced from Web Tribe Limited, which provided an online payment platform called Jambopay that allowed users to securely make payments through mobile phone over internet.

A review of the County records and documentation revealed that the system did not reconcile the amounts paid by the users of the platform, the amounts banked and revenue recorded by the County Government. In addition, the virtual funds are held in a trust account by a third party, who is not contracted by the County Government.

In the absence of proper records and reconciliations of the revenue collected, and in absence of full control of the revenue collection process by the County Government, the completeness, accuracy and validity of the revenue collected under other receipts of Kshs.11,417,412,109 as disclosed by the County Government financial statements could not be ascertained.

3. Revenue not Transferred to the County Revenue Fund

The other receipts figure of Kshs.11,417,412,109 includes revenue receipts of Kshs.1,083,962,903 or about 9.5% that was banked in the County Revenue Fund Account (CRF). The balance of Kshs.10,333,449,206 was received into County bank accounts but not transferred to CRF contrary to the Public Finance Management Act, 2012.

Further, the County Executive transferred all exchequer releases amounting to Kshs.11,340,191,382 during the year to operational accounts in commercial banks without written approval of the Controller of Budget to withdraw the money from the County Revenue Fund.

Consequently, the County Government contravened Sec.109 of the Public Finance Management Act, 2012.

4. Revenue Targets

The County Government had a revenue budget of Kshs.25,588,833,443 with the actual collection from both internal and external sources of Kshs.22,757,603,491. This resulted to under collection of Kshs.2,831,229,952 (11%) on the total budgeted revenue. However, the County did not post exchequer releases and other receipts in the Integrated Financial Management Information Systems (IFMIS) revenue module as it was not operational during the year under review. The County Government was instead using the LAIFOMS and Jambo Pay for own source revenue collection.

Revenue analysis report revealed that the County Government had budgeted to collect Kshs.13,323,722,061 in the year under review from own sources. However, the total collection was Kshs.11,417,412,109, resulting to under collection of Kshs.1,906,309,952 (14%) as shown below:-

SECTOR	Revised Estimates	Cumulative Total	Variance	% Variance
	Kshs.	Kshs.	Kshs.	
Governor's Office	520,724,000	526,483,071	5,759,071	1%
Finance And Economic Planning	2,927,050,000	3,033,779,257	106,729,257	4%
Water, Energy, Forestry, Environment & Natural Resources	244,300,000	294,724,543	50,424,543	21%
Health	665,400,000	268,679,384	(396,720,616)	(60)%
Physical Planning, Housing And Lands	2,865,750,000	2,938,650,552	72,900,552	3%
Public Works And Infrastructure	2,946,000,000	2,208,444,821	(737,555,179)	(25)%
Education, Youth Affairs, Sports Culture & Social Services	23,710,000	29,345,485	5,635,485	24%
Trade, Industrialization, Co-Operative Development And Tourism	3,090,500,000	2,399,471,475	(691,028,525)	(22)%
Agriculture ,Fisheries &Livestock Development	26,000,000	-	(26,000,000)	(100)%
Public Service Management	1,600,000	2,258,680	658,680	41%

Other Miscellaneous Income	12,688,061	13,812,235	1,124,174	[illegible]
Less: Bank Loan	-	(298,237,392)	298,237,393	-
Total	**13,323,722,061**	**11,417,412,109**	**(1,906,309,952)**	**(14)%**

No reasons were given for the failure by the County Government to collect revenue as budgeted. Revenue collections continue to be below expected revenue levels considering that available data indicates that the county has the potential to collect more than double the amount it currently collects. Further, the county borrowed Kshs.298,237,313 under finance and economic planning that had not been factored in the approved estimates.

The format of the financial statements differed with the format of the approved budget, which made it difficult to compare the itemized figures from both the financial statements and the budget.

In the circumstance, it was not possible to verify the completeness, accuracy and validity of total revenue as disclosed in these financial statements.

5. Failure to Account for Revenue from Off-street Parking

As reported in the previous year, the County Executive automated three off-street parking lots, the Law Courts, Sunken and Intercontinental with 72, 222 and 36 parking slots, respectively. Although the automation was meant to make work easier and revenue collection more manageable, it was observed that the system was always down and the frequent breakdowns could not be justified.

Information available and visits to the three off street parking revealed the system was not working and clients were being issued with manual receipts. The parking lots are usually always double parked, implying that all parking slots are taken up and even exceeded, which implies that revenue collected should have been more than expected revenue from all the parking slots. However, examination of revenue returns reflected off-street parking revenue of Kshs.23,609,018, while the estimated revenue from a 100% occupation was Kshs.36,334,500. The variance of Kshs.12,725,482 was not explained or accounted for.

6. Compensation of Employees

A comparison between the Tax Personal Identification Numbers (PINs) captured in the complement with the tax PIN data at Kenya Revenue Authority (KRA) revealed that three hundred (300) officer's Tax PINs did not correspond with data at KRA. In addition, an amount of Kshs.99,445,467 paid out of Kshs.13,100,466,603 under compensation of employees figure was paid as overtime allowances in the last six months of the financial year. However, the criteria for determining the number of hours in arriving at the amounts to be paid as overtime allowances have not been developed. Further, the County Government does not have a standard leave management procedure for its staff, as a result of which, thirty seven (37) officers were paid amounts totalling Kshs.2,891,990 as

leave allowance twice. The County Government has not taken any action to recover the irregular payments.

7. Disclosure of Expenditure on Use of Goods and Services

Included in the statement of receipts and payments and as detailed under note 13 to the accounts under use of goods and services amount of Kshs.7,070,594,690 is an amount of Kshs.2,339,120,750 described as operating expenses which consist of legal fees, garbage collections charges, payment of per diems and travel expenses, while expenditure of Kshs.684,015,023 on utilities, supplies and services also include expenditure on travel, per diem and such related expenses implying that expenditure of the same category is being expensed under other different expenditure categories. The disclosure of the expenditure on use of goods and services amounting to Kshs.7,070,594,690 may be incorporating other expenditures apart from expenditure on use of goods and services.

8. Unsupported Payment Vouchers

Included in the amount of Kshs.7,070,594,690 expenditure under use of goods and services are the following amounts paid by five departments of the County Government and two hospitals that were not supported with documentary evidence,

Department/Sector		Amount Kshs	Remarks
1.	Public Health	57,571,000	Distribution schedule for drugs not available
2.	Trade and Industrialization	6,117,872	No supporting documents
3.	Environment	39,575,819	Details of payments not disclosed
4.	Public Works	49,133,644	No supporting documents
5.	Physical Planning, Housing and Lands	6,375,143	No supporting documents
6.	Mama Lucy Kibuchi Hospital	2,902,549 1,713,975	No supporting documents Drugs not accounted for
7.	Mbagathi District Hospital	2,462,529	Direct cash payments that was not supported.
		165,852,531 =========	

In absence of supporting documents for the above examined payments, the propriety and validity of the expenditure on use of goods and services amounting to Kshs.165,852,531 could not be confirmed.

9. Legal Fees

Also included in the expenditure of Kshs.7,070,594,690 under use of goods and services are payments totalling Kshs.1,149,676,732 on legal fees during the year. Review of legal

files revealed payments to lawyers for amounts that were not supported with informatio and documentary evidence. The payments are as follows:-

Legal Firm		Amounts Paid	Case file NO/Details
1.	Musyoki Mogaka & Co.	5,431,036	HC MISC JR 461 of 2014
2.	Momanyi and Associates	60,000,000	HC 315 of 2012
3.	Koceyo and Company	5,000,000	HC JR PET No.342 of 2012
4.	C.W. Ngala & Co	27,000,000	Failure by the County Government to clear legal fees
5.	County Government Legal Department	32,374,347	Failure by the County Government to pursue an adjudged debtor; Josmas Enterprises HCC NO.874 of 2010.
6.	County Government Legal Department	4,301,730	HC ELC No.359 of 2012
	Total	**134,107,113**	

Consequently, the propriety of the Kshs.134,107,113 expenditure incurred in the payment of these legal fees could not be confirmed.

10. Other Grants and Transfers

The statement of receipts and payments reflects expenditure totalling Kshs.390,595,033 under other grants and transfers, which includes payments totalling Kshs.210,595,033 relating to bursaries for needy students, where an amount of Kshs.182,303,000 was allocated to the Governor's office and Kshs.17,793,033 to the eighty five (85) wards within the City County totalling Kshs.200,096,033. No information or documentary evidence was availed to verify the payments.

Consequently, the propriety of the Kshs.200,096,033 expenditure disclosed as bursaries could not be confirmed in the absence of supporting documentation.

11. Assets

(i) **Assets and Liabilities inherited from the defunct City Council of Nairobi**

The statement of receipts and payments reflects an amount of Kshs.2,110,303,407 (2014/2015- Kshs.1,809,845,096) under acquisition of assets for the year ended 30 June 2015. However, as reported in the previous year, the County's statement of receipts and payments acquisition of assets figure of Kshs.2,110,303,407 and the pending bills figure of Kshs.37,866,319,261 reflected in annex 3 to the financial statements do not include the assets and liabilities of the defunct City Council of Nairobi despite the County management having taken possession of the assets. In addition, the Inter-Governmental Relations Technical Committee which took over the Transition Authority is yet to formally hand over the assets and liabilities of the Local Authorities to the County Government. It

is not known when these assets and liabilities will be handed over to the County Government.

(ii) **Maintenance of Fixed Assets Register**

The following irregularities were noted in regard to the current year's assets balance:-

a) The County Government did not maintain a proper fixed assets register for non-movable and movable assets.
b) The list of properties provided did not have the sizes/acreage indicated against them, and value of each property was not indicated
c) Some properties were indicated as un-surveyed, implying that their size and condition are unknown.

Although the County Assembly maintained a fixed assets register, the register was incomplete, since details such as assets serial/registration numbers, assets location, value and year of acquisition were not indicated. Some of the major assets such as motor vehicles were aggregated together instead of recording them individually in the register.

(iii) **Presentation and Disclosure of Expenditure on Assets**

As stated in the financial statements under Significant Accounting Policies (1), the financial statements are prepared in accordance with International Public Sector Accounting Standards (IPSAS) (Cash Basis). Information on asset schedules produced revealed that some of the assets though delivered had not been fully paid for as at 30 June 2015. Payment totalling to Kshs.31,926,583 included in the assets figure in the financial statements had not been paid. It is therefore incorrect to disclose what had not been paid for as part of the acquisition of assets figure. In consequence, the acquisition of assets is overstated by Kshs.31,926,583. This situation is indicative of significant impairment on the assets. It is therefore not possible to confirm the carrying value of the total assets balance of Kshs.14,313,482,645 as disclosed under Annex 4 to the financial statements.

12. Finance Costs

The statement of receipts and payments reflects an amount of Kshs.355,495,903 being interest charges incurred on interest on domestic borrowings. However, the full extent of the County's borrowings could not be confirmed as they were not authorized by either the County Assembly or the National Treasury. The existing loans were borrowed from the Kenya Commercial Bank (KCB) and the Co-operative Bank. While overdrafts were in Central Bank of Kenya (CBK) operations account, National Bank of Kenya and KCB. The County Government has not provided justification for the above borrowing.

In view of the foregoing, the propriety and validity of the interest charges of Kshs.355,495,903 during the year could not be confirmed.

13. Repayment of Principal Borrowings

The statement of receipts and payments under repayment of principal on domestic and foreign loans reflects an expenditure amount of Kshs.735,324,515. The repayments relates to ten (10) loan accounts with the Co-operative Bank and one (1) loan account with the Kenya Commercial Bank. However, no supporting documentation was provided to support the process of acquisition of the loans. Further, the loans facilities were not approved by the County Assembly or the National Treasury. In addition, no information was availed to verify when the facilities were started, the principal amounts, interest terms and the duration of the loans.

In the circumstances, the propriety and validity of the Kshs.735,324,515 expenditure on repayment of domestic and foreign borrowings could not be ascertained.

14. Cash and Bank Balances

i) The statement of financial assets as at 30 June 2015 reflects cash balances of Kshs.23,108,847 and overdraft balances totalling to Kshs.1,306,819,844. The overdraft figure is a net off balance of six (6) overdraft account balances totalling to Kshs.2,608,646,007 against twenty (20) bank account balances totalling Kshs.1,301,826,163 as described in note 22(A) to the financial statements. This has resulted in understatement and disclosure of the bank overdrafts by Kshs.1,301,826,163.

ii) The overdrafts includes an amount of Kshs.885,858,783 attributed to the Central Bank of Kenya (CBK) Recurrent account and Kshs.1,394,940,722 in Co-operative Bank Imprest account. However, it was noted that CBK does not operate over-drawing facilities with County Governments, hence the overdraft could not be confirmed.

iii) The total overdraft figure of Kshs.2,608,646,007 is represented by the following overdrawn accounts:-

Bank	**Amount in Kshs.**
Central Bank of Kenya – Recurrent	885,858,783
Co-operative Bank - Imprest	1,394,940,722
Co-operative Bank – Solid Waste Management	152,969,328
National Bank of Kenya – Emergency	446,502
National Bank of Kenya – Pumwani Hospital	14,838,602
Kenya Commercial Bank – Current	159,592,070
Total	**2,608,646,007**

These overdrafts were acquired without the necessary authority from the County Assembly or the National Treasury. The overdrawn bank accounts resulted in avoidable interest charged against provisions of the Public Finance Management Act, 2012 Section 11 a (4), (6) a and Section 14 7 (1) (d) which requires prudent management of public fund and debt management respectively.

The following anomalies were also noted:-

(a) Bank certificate from Co-operative bank operation/imprest account 01141232396601 reflected an overdraft of Kshs.658,723,000 as at 30 June 2015 while the financial statements reflected an overdraft of Kshs.1,394,940,722.

(b) All transfers to the operational account were for regularization of the over-drawn amount for the County to qualify for more funds. As at 30 June 2015, the adjusted cash book balance was Kshs.1,394,940,722.

(c) KCB current account was irregularly overdrawn to repay KCB loan MG1424500930 which was bought from Equity.

iv) The County Government held the following bank accounts which have been excluded in these financial statements.

(a) Nairobi City County Assembly Recurrent Account 01141232417500 with a cash book balance of Kshs.135,000.

(b) Mama Lucy Kibaki Hospital KCB account 1133233864 with a cash book balance of Kshs.8,122,069. In addition, there was no board of survey report for the cash balances at Mama Lucy Kibaki Hospital.

(c) Nairobi City County Assembly Development Account 01141232417500 with a cash book balance of Kshs.11,941,000.

Also, the County Government did not prepare monthly reconciliation statements for the whole year on the three bank accounts.

In the circumstances, it was not possible to ascertain whether all bank transactions and bank balances for the above accounts during the year under review were fairly stated.

15. Accounts Payables (Pending Bills)

The County Government as disclosed in note 24 to the financial statements reflects accounts payables (pending bills) totalling to Kshs.41,039,185,553 as at 30 June 2015 comprising of creditors of Kshs.3,069,389,276 outstanding loans of Kshs.3,126,141,774, other pending bills of Kshs.34,740,177,487 and amounts owing to staff totalling Kshs.103,477,016. These amounts are not supported with documented evidence.

Further, annex 3 to the financial statements reflects analysis of other pending bills totalling Kshs.37,866,319,261 due to third parties, pension schemes, Kenya Revenue Authority, National Social Security Fund, and a figure of Kshs.21,768,297,573 under government loans, which is not supported with analysis and documentary evidence.

Had the bills been paid and the expenditure charged to the 2014/2015 recurrent vote, the statement of receipts and payments would have reflected an increased excess vote (deficit) of Kshs.80,491,318,023 instead of the Kshs.1,585,813,209 deficit now shown.

Consequently, the completeness, accuracy and validity of the pending bills figures c Kshs.41,039,185,553 and Kshs.37,866,319,261 totalling Kshs.78,905,504,814 disclosed in these financial statements could not be confirmed.

16. Accounts Receivables

The statement of assets as described under Note 23 to the financial statements reflects amounts totalling Kshs.133,660,923,326 as at 30 June 2015 under accounts receivables. Included in this figure are rates of Kshs.132,595,445,156 (2013/2014-Kshs.96,151,740,633), which include an amount of Kshs.15,280,000 and Kshs.327,100,800 due from private and government institutions respectively. No justification was given for the failure to collect these receivables. Further, the County Government does not have an aged analysis for all of its receivables, hence it was not possible to confirm when the County Government will be able to recover these receivables.

17. Outstanding Imprests

Note 23 to the financial statements under accounts receivables includes imprests outstanding of Kshs.39,754,600, which had been issued to various officers of the County Government. This ought to have been surrendered or accounted for on or before 30 June 2015. The County Government has a weak internal control system where it uses manual systems in the management of the imprest. Some officers held multiple un-surrendered imprests some of which have been outstanding since 2014 financial year contrary to the financial regulations and Public Finance Management Act, 2012. The recoverability of the outstanding imprest balance of Kshs.39,754,600 could not be ascertained.

18. Budget and Budgetary Controls

18.1 Budgetary Allocations

During the year under review, the County Government had an approved recurrent budget of Kshs.18,736,017,853 and a development budget of Kshs.6,852,815,590. The percentage of recurrent budget and development budget out of the total budget was 73% and 27% respectively. However, the actual expenditure was Kshs.22,556,270,686 and Kshs.2,110,303,407 respectively, which translated to a ratio of 91% and 9% for recurrent and development expenditures respectively. There was no evidence to confirm that the expenditure as incurred had been approved by the County Assembly or any other authority as per the existing financial regulations.

18.2 Under-Expenditure

The County Government had a recurrent budget of Kshs.19,349,390,000 which was revised through supplementary estimates to Kshs.18,736,017,853.

However examination of the IFMIS account analysis report revealed that the County Government did not adhere to the budget and budgetary controls.

The following sectors in the vote of the County Government had under expenditure in three hundred and ninety eight (398) line items:-

SECTOR	Number Of Items	Approved Estimates	Actual Expenditure	Under Expenditure
		KSHS.	KSHS.	KSHS.
County Public Service Board	14	79,935,902	72,955,639	6,980,263
Office Of The Governor And Deputy Governor	83	2,334,643,568	1,693,739,900	640,903,668
ICT, E-Govt And Public Communications	8	16,273,640	8,792,033	7,481,607
Finance And Economic Planning	55	763,275,570	615,592,637	147,682,933
Health	61	2,162,644,350	1,810,090,655	352,553,695
Physical Planning	32	96,828,426	54,420,325	42,408,101
Trade, Industrialization, Cooperatives And Tourism	80	40,289,092	18,122,288	22,166,804
Education, Youth Affairs, Sports, Culture And Social Services	19	490,501,629	331,760,861	158,740,768
Public Works, Transport And Infrastructure	15	473,010,982	304,259,249	168,751,733
Public Service Management	19	38,781,468	19,234,330	19,547,138
Water, Energy, Environment	11	27,241,772	3,426,784	23,814,988
Agriculture, Livestock Development And Fisheries	1	287,251,013	12,828,750	274,422,263
Total	**398**	**6,810,677,412**	**4,945,223,451**	**1,865,453,961**

The County Government did not provide reasons for the under expenditure.

In addition, the County did not adhere to the National Treasury Regulations on use of IFMIS. It was observed that payments for different line items totalling Kshs.5,158,164,789 during the year under review were paid outside(manually) the system. No reason was provided for the failure to use IFMIS.

Further, the format of the financial statements presentation was in accordance with the template issued by the Public Sector Accounting Standards Board and the format of the approved budget was in accordance with the format given by the directorate of budget at the National Treasury, which differed. It was therefore not possible to confirm whether the budget and the budgetary controls were adhered to.

18.3 Over-Expenditure on Recurrent Vote

The financial statements further reflects over expenditure of amounts totalling Kshs.5,609,835,490 in respect of ninety one (91) items which had an actual expenditure of Kshs.8,179,139,374 against approved estimates of Kshs.2,569,303,884 as tabulated:-

Sector	Number Of Items	Approved Estimates	Actual Expenditure	Over Expenditure
		KSHS	KSHS	KSHS
Office Of The Governor And Deputy Governor	1	400,000	1,052,500	652,500
ICT,E-Govt And Public Communications	2	5,256,000	10,583,734	5,327,734
Finance And Economic Planning	13	162,203,100	2,080,255,208	1,918,052,108
Health	5	476,446,460	1,257,246,644	780,800,184
Physical Planning	9	27,228,420	64,073,909	36,845,489
Trade, Industrialization, Cooperatives And Tourism	10	37,527,250	53,980,537	16,453,287
Education, Youth Affairs, Sports, Culture and Social Services	16	40,720,640	446,740,745	406,020,105
Public Works, Transport And Infrastructure	5	432,959,564	1,695,187,963	1,262,228,399
Public Service Management	16	1,381,803,190	2,553,981,645	1,172,178,455
Water, Energy, Environment	15	4,759,260	16,036,489	11,277,229
Total	**91**	**2,569,303,884**	**8,179,139,374**	**5,609,835,490**

The County Government did not provide reasons for the over expenditure. This is contrary to Section 154 of the Public Finance Management Act, 2012 which limits the power of the County accounting officer in reallocating appropriated funds.

18.4 Under-Expenditure on Recurrent Vote

The County Assembly had a recurrent budget of Kshs.1,504,131,758 which was revised through supplementary estimates to Kshs.1,372,926,869 .

However, the County Assembly did not adhere to the budget and budgetary controls. The following heads in the sub vote of the County Assembly had under expenditure in forty two (42) line items as follows:-

Head	Number of items	Approved Estimates	Actual expenditure	Under Expenditure
		Kshs.	Kshs.	Kshs.
100 Office of the Speaker	3	10,823,408	9,947,244	876,164
200 County Legislature	14	941,889,839	634,181,009	307,708,830
300 Committee Services	4	117,559,772	107,322,396	10,237,376
400 County Assembly Service Board	3	11,268,036	9,164,732	2,103,304
500 Office of the Clerk	18	291,385,774	272,712,975	18,672,799
Total	**42**	**1,372,926,829**	**1,033,328,356**	**339,598,473**

The County Assembly did not provide reasons for the under expenditure. Further, the format in which the financial statements were prepared and the format the approved budget had been presented was dissimilar. Consequently, the figures on the budget and the figures reflected in the financial statements could not be analysed and be compared.

18.5 Development Budget for County Government

18.5.1 Failure to Achieve 30% Allocation on Development Budget

The Approved Estimates for 2014/2015 financial year was revised through supplementary estimates to Kshs.6,852,815,590 for development vote. This implies that the development vote represented 24% of the total budget instead of the 30% allocation as per the Public Finance Management Act, 2012.

The absorption rates for the various sectors were as follows:-

Sector	Approved Estimates Kshs	Actual Expenditure Kshs	Variances Kshs	% Variances
County Public Service Board	28,000,000	7,011,760	20,988,240	75%
Office Of The Governor and Deputy Governor	476,000,000	176,225,479	299,774,521	63%
ICT,E-Govt and Public Communications	150,000,000	92,212,873	57,787,127	39%
Finance & Economic	72,000,000	18,784,700	53,215,300	74%
Health	594,000,000	86,351,755	507,648,245	85%
Physical Planning	157,000,000	38,585,209	118,414,791	75%
Public Works, Transport and Infrastructure	4,289,189,353	1,229,964,473	3,059,224,880	71%

Education, Youth Affairs, Sports, Culture and Social Services	202,000,000	128,518,024	73,481,976	36%
Trade, Industrialization, Cooperatives and Tourism	301,000,000	10,658,012	290,341,988	96%
Public Service Management	22,000,000	-	22,000,000	100%
Agriculture, Livestock Development and Fisheries	20,000,000	12,828,750	7,171,250	36%
County Assembly	406,026,237	207,242,691	198,783,546	49%
Water Energy	135,600,000	101,919,681	33,680,319	25%
TOTAL	**6,852,815,590**	**2,110,303,407**	**4,742,512,183**	**69%**

From the above analysis above 69% of the development expenditure had been utilized.

The development expenditure as disclosed under acquisition of assets was Kshs.2,110,303,407. Further analysis of the figure revealed that at least Kshs.1,055,441,454 included under development expenditure was recurrent expenditure. This implies that the County Government's development expenditure for the year was Kshs.1,054,861,953 representing 4% of the total budget. Failure to complete the projects on development expenditure on timely basis impacts negatively on service delivery for the intended beneficiaries.

Further, the County Government was in breach of Section 107 (b) of the Public Finance Management Act, 2012 which requires that at least thirty percent (30%) of the County Government's budget should be allocated to development expenditure.

18.5.2 Stalled and Abandoned Projects

The County Government awarded several construction works in roads and drainage, motorized transport facilities, public transport facilities, bridges, electrical works to different contractors totalling to Kshs.741,238,051. The amount certified to date totalled Kshs.254,208,536, payments for certified works Kshs.115,582,190 and certified works not paid totalled Kshs.132,543,350. It was however noted that the contractors abandoned the works because of non-payment of certified works as detailed below:-

Sector	Contract Sum KShs.	Amount Certified KShs.	Amount Paid KShs.	Certified but not paid Kshs.
Roads And Drainage Works	461,712,226	183,022,011	90,792,191	92,229,820
Non Motorised Transport Facilities	38,366,342	21,665,873	9,200,000	12,465,873
Public Transport Facilities	171,726,155	38,253,764	15,589,999	22,663,765
Bridges	58,048,972	11,266,888	0	11,266,888
Electrical Section	11,384,356	0	0	0
Total	**741,238,051**	**254,208,536**	**115,582,190**	**138,626,346**

No reason was given by the County Government for the failure to pay for budgeted and certified works even though some of the projects had passed their completion dates.

Non-payment to contractors for legally binding contracts may lead to more loss of funds in fines and penalties if the contractors sues the County Government. Further, delay and abandoning of contracts lead to low absorption of development funds and non-provision of services to the citizens.

18.5.3 Delay in Implementation of Projects

Examination of payment vouchers with a total value of Kshs.27,723,862 revealed that contracts were not implemented within the stipulated timelines as per contract agreement and commencement dates. In some instances, it took as long as twenty four (24) months for the contractors to start construction works after notification of award as detailed below:-

Project	Contract Sum Kshs.	Date of Notification	Date of Commencement	No. of Months Between Notification & Award
Supply, delivery and installation of 20M Highmast at Mugumoini Ward	2,958,696	02.09.11	23.12.13	25
Supply, delivery and installation of 3 No. 20M Highmast at Imara Daima	5,180,908	29.02.12	12.02.14	12
Public Lighting installation in Makongeni/Kaloleni Sub county	4,597,962	11.12.13	15.04.14	5

Public Lighting installation Waithaka Dagoreti Ward	4,994,980	10.05.12	16.09.13	15
11 No. 12M Public lighting at Pumwani phase III	4,998,556	27.04.12	21.03.14	24
Public Lighting at City Wide within Central Division Phase II	4,992,760	24.09.12	21.01.13	4
Project	**27,723,862**			

Delay in implementation of contracts may lead to variation of contracts, which leads to costs escalations and delay in provision of services to the citizens.

18.5.4 Nairobi City County Assembly- Failure to Achieve Development Budget

The Approved Estimates for 2014/2015 financial year was Kshs.1,778,953,106 with Kshs.1,372,926,869 and Kshs.406,026,237 earmarked for recurrent and development votes respectively. This implies that development vote represented 23% of the total budget.
Analysis of development expenditure presented in the financial statements indicated that the County Assembly absorbed Kshs.207,242,691 in the year under review, which represents 51% of the total development budget. The balance of Kshs.198,783,546 was under expenditure in the development estimate as tabulated below:-

Head	Number of items	Approved Estimates	Actual expenditure	Under Expenditure
200 County Legislature	1	26,231,250	15,924,434	10,306,816
500 Office of the Clerk	4	379,794,987	191,318,257	188,476,730
Total	5	406,026,237	207,242,691	198,783,546

In the circumstances, the County Assembly did not adhere to the budget, as it only absorbed 51% of its planned projects. No justification was provided for the failure to implement the budget as approved.

18.5.5 Re-allocation and Misallocation of Funds

A review of the County Government's expenditure ledger revealed several instances of re-allocation and misallocation of funds and charging of funds not related to approved line items totalling to Kshs.1,307,050,782 during the year under review as detailed below:-

Item	Amounts Kshs.	Comments
Utilities Supplies and Services	6,946,009	Payments related to per diems, conference charges, newspaper advertisements, etc. Amount normally relates to electricity, telephone and such other expenditures.
Communication and Supplies Services	6,272,101	Payments related to per diems, air tickets sitting allowances, extraneous allowances etc. Ordinarily the account is for postage, telephone etc.
Domestic Travel and subsistence	13,547,994	Some of the expenditure charged under account includes foreign travel and repairs and maintenance and uniforms. The expenditure here should be on domestic travel and subsistence only.
Foreign Travel	10,989,040	Local travel and subsistence. Media facilitation, Strategic plan meeting etc. Ideally expenditure should relate to foreign travels and accompanying per diem.
Insurance Costs	6,394,080	Supply and delivery of protective clothes.
Specialized Materials and Services	23,814,618	Payment and supply of catering services, payments for diem, payment for allowances lunch, overtime, insurance etc. Should be used in acquisition of drugs and other supplies in hospitals.
Fuel, Oil and Lubricants	6,660,247	Hire of excavators, Expenditure not entered in IFMIS and details not given and paid in Mbagathi Hospital
Other Operating Expenses	59,969,113	Insurance charges, garbage collections, local and foreign travel, hire of trucks and equipment, per diem etc.
Routine Maintenance of vehicles and other transport Equipment	206,800	Fuel and per diems.
Routine Maintenance of other Assets	49,660,294	Expenditure to facilitate public participation in budget, bursaries, blankets and mattresses for nursery schools. Supply for cleaning materials, per diems, workshop fees etc. Expenditure should have been on repairs and maintenance of assets.

Printing advertising and Information	49,959,637	Relates to hire of vehicles, payment for per diems, lunch allowances, payment for casuals, retreats, fuel and renovation of offices. Normally, should have paid for printing, advertisements.
Rentals of Produced assets	1,500,000	Payment of facilitation of revenue enhancement and baseline data in Wakulima market.
Training Expense	17,320,503	Allowances, per diem, local travel, foreign travel, strategic plan meetings. Normally charged for costs of training.
Hospitality, Supplies and Services	12,580,077	Payment for per diems, foreign travel, payment for non-pharmaceuticals, payment for stationeries, local travel etc. Normally charged for office tea, staff parties etc.
Acquisition of Assets	1,041,212,270	Construction and civil works, construction of roads, refurbishment of buildings.
	1,307,050,783	

This contradicts Section 154 of the Public Finance and Management Act, 2012 which stipulates that a request for the reallocation should be made to the County Treasury explaining the reasons for the reallocation and the County Treasury approves the request. The total of all reallocations made to or from a program or Sub-Vote shall not exceed ten percent of the total expenditure approved for that program or Sub-Vote for that year.

In the circumstances, the County Government did not adhere to the approved budget in violation of Public Finance Management Act, 2012.

19.0 Jambo Pay Revenue Collections and Management

19.1 Failure to Remit Collected Funds in Time

The County Government has implemented the above cashless payment system that allows Nairobi motorists, tenants, contractors, business men and women, to use their mobile phones to pay for daily parking, seasonal parking, parking for Matatu Sacco's, land rates, rent for County houses, construction fee and to check the status of their payment.

The contract provides that funds collected should be remitted to the County Government within seventy two (72) hours upon receipt. However, review of records reveals that it takes up to a month to remit the funds, which is contrary to the agreement between the County Government and the contracted firm.

Consequently, the County Government is not in full control of its revenue collection process.

19.2 Inadequacies of the Service Level Agreement

A review of the Service Level Agreement between Webtribe and Nairobi County classifies the unavailability and downtime problems into priority level definitions and the action which Webtribe will undertake to ensure the resumption of the application. However, there is no amount or penalty that has been put in place chargeable to Webtribe in the event of unavailability of the system attributable to them.

According to the Service Level Agreement signed between Webtribe and the County, it is a requirement that the customer (Nairobi City County) ensures regular backups of Jambopay service configurations are made and tested. An observation of the backups that had been carried out on 11 November 2015 revealed that the last backup was on 9 November, 2015; indicating that backups were not being done on daily basis. Further, a walkthrough of the ICT processes revealed that the backups were not regularly tested to ascertain the reliability and if the backups taken could be used to restore the business operations of the County.

In the circumstances, loss of data can occur in the event of system failure without regular backups.

19.3 Inadequate Validation Controls

A review of the parking data posted from the Jambopay system to LAIFOMS revealed that the registration number of vehicles did not conform to any registered numbers issued by Kenya Revenue Authority (KRA). There were 294 vehicles that had been captured whose registration numbers were blank and had less than 4 characters long.

Consequently, the integrity of data maintained in the application is significantly compromised due to lack of constraints and may not be relied upon in decision making.

19.4 Basis of Retention and Payment of Transaction Fee to Webtribe

As per the contract, Webtribe are entitled to deduct 4.5% of the value of each transaction made through the Jambopay system. Webtribe have availed dashboards and reports that show how much money that the County Government has collected through the system. This dashboard and reports are able to categorize the revenue collected into Cash Office, Web, USSD, Android and Jambopay Agents. In ascertaining the amount of money to be remitted to the County Government by Webtribe, the revenue accountants use the Jambopay dashboards and reports to reconcile and compute how much they expect to receive from Webtribe.

In determining the amount due from Webtribe, the County should use data that has been posted in their system in order to carry out an accurate reconciliation of revenue. This would provide an independent perspective because the data posted in the LAIFOMS system is what will be recognized as revenue collected and will be disclosed in the

financial statements. The table below shows variances identified between figure reported in Jambopay and LAIFOMS.

Variance between Laiforms & Jambo Pay Amounts in the Month of January 2015

	Amount reported by NCC as per Jambopay Kshs.	Amount reported in LAIFOMS Kshs.	Variance Kshs.
Cash Office Collection	1,936,752,121.40	1,122,304,397.40	814,447,724.00
Jambopay Remote Payments	624,168,443.05	1,441,515,731.51	(817,347,288.46)
Total	**2,560,920,564.45**	**2,563,820,128.91**	**(2,899,564.46)**

The above differences are between what was captured in Jambopay and in LAIFOMS. In the month of January 2015, data generated from LAIFOMS indicated that there were no transactions that were posted using the Jambopay Cashier yet the County in its monthly reconciliations had indicated that there were transactions that had been paid using the Jambopay cashier amounting to Kshs.691,105,356.00.

The difference in the cash office collection would lead to an increase in the amount charged by Webtribe. Therefore, in determining the amount to be received from Jambopay, an independent source of data preferably what has been posted in LAIFOMS would have been appropriate.

Information and records available indicates that the County pays 1.25% of the value of all the Cash Office transactions that are made using the Jambopay system. From the availed contract, there is no provision for the payment of 1.25% of the transactions at the cash office. Therefore, any payment made to Webtribe of 1.25% will be deemed irregular since there is no binding contract or addendum between Nairobi City County and Webtribe. These are the transactions that are made when one pays directly to the County's offices which are later pushed to the LAIFOMS system. Therefore, the payment of 1.25% is for the use of the Jambopay infrastructure.

Between January and June 2015, the County had prepared payment vouchers based on invoices from Webtribe amounting to Kshs.1,533,630,646.68 yet the amount that had been captured from LAIFOMS as cash office collection was Kshs.1,122,304,397.40. This has led to a difference of Kshs.411,326,249.28 that has not been explained and an increase in the amount paid to Webtribe by Kshs.5,141,578.12.

In the circumstances, payment of money to Webtribe for the 1.25% of transaction fees in the absence of a legally binding contract is irregular and should be regularized.

19.5 Inadequate Utilization of LAIFOMS

A walkthrough test of the system revealed that users were not fully utilizing the system given that they were not posting the banking slips into the system. The banking slips were

being recorded manually outside the system in a register. Banking functionality in LAIFOMS is a control by the system to ensure that all revenue collected is banked intact since the total receipts should equal the direct banking made by its clients and actual bankings made by the cashiers. Non-posting of bank pay in slips in the system would make it difficult for the County to determine if all monies received are banked intact. These inadequacies would also make it very difficult for the County to ascertain its overall revenue position at any point in time.

Failure to fully utilize and monitor the systems in place for revenue collection may result in the loss of revenue collected from the County.

19.6 Revenue Collection and limitation of Jambopay

A review of the agreement between Nairobi City County Government and Webtribe signed on 8 April 2014 for the supply, implementation and maintenance of an electronic revenue collection and payment solution revealed the following irregularities:-

(i) Webtribe delivered a platform to the County for revenue collection and not an application as host servers for all transaction data for the county is being held and managed by Webtribe. This meant that the application and the data contained therein would reside at Webtribe since the application was owned by Webtribe and not the County. The County would only receive the data processed by the JamboPay application and therefore not have control of the revenue processing activities. Consequently, any manipulation of data, either through omission or commission would not be known by the County Government.

(ii) The Contract period of this solution is 5 years which upon expiry the County would most likely revert to its manual ways since it did not acquire the application. Alternatively, it would require the County government to rely on JamboPay for the management of its revenue after expiry of the contract. This dependence may lead to cost escalation.

(iii) The Contract under paragraph 16.2 allows the possibility of Webtribe to pass customer-related data to its own subcontractors and partners when this data is necessary to fulfill its obligations. This allows Webtribe to have control and access of customers' data which should be under the sole possession of the County, while the County Government does not have control over the transaction data and audit logs. Hosting of unauthorized public entities on private servers may present the County Government with legal challenges.

19.7 Trust Account

Review of documents availed for audit revealed that there is a trust account held by PKF consulting on behalf of Web tribe Ltd where all funds collected in different platforms (Web, Mobile, Agents, and the application) apart from cash are banked. The trust account is meant to settle net value of the successful transactions after 72 hours. Information available indicates that Nairobi City County government is not a party to the trust deed. In addition, the trust account hold funds for other entities and therefore City County funds

have been comingled with funds from other entities. Pooling of public funds with funds from other private entities may pose a challenge in accounting for the funds. In addition, there is a possibility of loss of public funds due to lack of control in managing the collected funds. Therefore the accuracy and completeness of the disclosed revenue collected could not be ascertained.

19.8 Cash Reversals

Analysis of data from JamboPay system revealed that two thousand two hundred and sixty four (2264) cash reversals amounting to Kshs.15,725,919.00 were made during the year. There was no documentation including narrative on the transaction explaining the reasons for reversals. Hence, it was therefore not possible to confirm the nature of these transactions. No justification has been provided for these transactions that are irregular.

20.1 Expenditure

20.1 Supply of Furniture at Ofafa Jericho Primary school

A physical verification of 300 lockers and chairs supplied at Ofafa Jericho Primary School at a cost of Kshs.1,950,000 revealed that most of them were already broken. A review of records availed indicate that these furniture had been accepted by the school committee as fit for use. However, the fact that most of them were broken implies that the items may have been of substandard quality and therefore did not provide the expected service to the user.

It is evident there is no value for money on this expenditure as the school will still require other desks and lockers to replace the broken ones.

20.2 Procurement of Furniture through Quotations

An assortment of furniture was procured from an enterprise on 10 October 2014 at a cost of Kshs.2,225,000. According to the documents availed to support the purchase, the items were to be used by the MOH's office and were delivered on 17 October 2014. Requisition note attached indicated that the user had requested for seven items estimated to cost Kshs.631,100, while the procurement department ordered sixteen items at a cost of Kshs.2,225,000.

The procurement was done through request for quotations instead of open tendering as the cost was above the threshold of Kshs.2,000,000. No justification has been provided for this purchase and its propriety.

20.3 Irregular Variation of Works

Super Drill International Ltd. was awarded a contract for drilling of a borehole at Pumwani Maternity Hospital at a cost of Kshs.3,999,912. The contract was signed on 22 May 2014 with a completion period of twelve weeks. The project was procured through request for quotations contrary to Public Procurement and Disposal Regulations. On 12 September 2014, the County Government accepted the contractor's request for variations amounting

to Kshs.999,978 representing 25% of the contract sum. No justification was provided to support the variations. As at the time of audit, the borehole construction was not complete.

In the circumstances, the value for money may not be realized from this contract and expenditure.

20.4 Payment for Incomplete Works

Dynamic Interior Builders Ltd were contracted to supply ten (10) containers for office accommodation at various wards. The contract also included branding of the containers with County Government logo at a cost of Kshs.50,000 per container. The supplier was sourced through request for quotations contrary to the Public Procurement and Disposal Regulations. Physical verification of some of the containers revealed that the containers were not branded as per the contract.

Consequently, it was not possible to ascertain whether the County Government got value for money from the goods procured due to flawed procurement procedures and non-adherence to contract specifications.

20.5 Missing Water Tank

During the financial year under review, the County Government acquired ten (10) 10,000 litres plastic tanks at cost of Kshs.105,200 per tank. Distribution schedule provided indicated that one of the tanks was taken to Dandora Phase V Social Hall. A visit to the Hall revealed that the tank was not on site. It was explained that it had been taken by youths who took it to unknown place. Officers in charge of the ward do not appear to have taken any action to recover the asset.

Consequently, it was not possible to confirm whether the Kshs.105,200 expenditure is proper charge to public funds.

20.6 Failure to Deliver Uniforms

As reported in the previous year, the County Government entered into a contract No. NCC/DCI/T/2013/2014 with a company to supply uniforms at a contract sum of Kshs.32,233,930. The following anomalies were however noted:-

(i) Evaluation was done on 17 October, 2013 through minute number 11/2013-2014, where twenty one bidders were evaluated and awarded with a clause that 50% of the total contract sum can be paid with the order.

(ii) A contract was signed between the County Government (Legal Department) on 14 March 2014 with the same terms of 50% deposit with order.

(iii) The supplier gave a profoma invoice dated 28 May, 2014 with description of one piece for Kshs.16,116,965. The finance department processed the payment on 4 December, 2014 and the amount of Kshs.16,116,965 was paid.

(iv) To date, more than two years since the contract was signed, the supply of uniforms has not been delivered and there is doubt that the supplier will honour the contract.

21.0 Human Resource and Compensation of Employees

21.1 Incorrect Capture of Staff Data

A comparison between the Tax Personal Identification Numbers (PINs) captured in the Complement with the tax PIN data at Kenya Revenue Authority (KRA) revealed that 300 officers' Tax PINs did not correspond with data at KRA. A review of the personal files revealed that some of the officers had the wrong Tax PINs captured with one officer having been suspected of being a ghost worker and his salary stopped. However, the officer after identification and presentation of the relevant documents had his salary restored.

In the circumstances invalid tax PINs pose a risk of incorrect PAYE remittances to KRA. Further, there is risk of the County Government losing money through payment of salaries and other personal emoluments to non-existing workers.

21.2 Officers earning less than third basic pay

Examination of the IPPD system revealed that fifty two (52) officers overcommitted their salaries contrary to Section 19 (3) of Employment Act, 2007 and Section G. 21 of the code of regulations (revised 2006), which provides that an employee shall not have less than a third of the basic pay.

There is a possibility of risk of fraudulent activities carried out by such employees so as to enable them meet their basic needs.

21.3 Overtime Allowance

Overtime allowance is administered under the Collective Bargaining Agreement of 2012 (CBA 2012) for the defunct City Council staff and Code of Regulations for the devolved staff and staff employed by County Public Service Board. Between January and June 2015, the overtime allowance paid amounted to Kshs.99,445,467. A review of some of the overtime payments made revealed that the authority to pay the overtime allowance was made after the officers had worked overtime. This was paid in arrears in the month of January for all the days of the month from January to November 2014 and there was no work plan for the activities undertaken. These officers were paid an amount of Kshs.766,739 as shown below:-

PAYROLL NO.	Full Names	Amount paid
19900006340	Mr Mwanzi Isaac Bullim	294,176
19890000398	Mr Kezengwa Nebert Sandagi	241,545
19990012121	Mr. Murungi Peter Mwangi	231,018

The CBA does not specify on the maximum number of hours to be paid per week and it is not specific on the duties to be carried out. However, the County HR Manual is specific on the requirements for the payment of overtime allowance as follows:

(i) For an officer who is required to work overtime, an allowance may be granted to him with prior approval of the Authorized Officer on the advice of the appropriate Human Resource Management Advisory Committee, for overtime worked in excess of forty (40) hours per week, at a rate to be determined and subject to clause (iii) below

(ii) It is emphasized that overtime allowance should not be paid for routine duties where it is possible that alternative arrangements can be made for performance of the tasks within normal working hours.

(iii) Overtime allowance will be paid subject to a maximum of ten hours per week.

(iv) Officers who are normally called upon to perform duties of a supervisory nature will not qualify for overtime allowance as this factor is taken into account in determining the rate of their remuneration,

(v) These guidelines are not used to pay the overtime allowance rather the CBA is used which is not specific and does not have adequate controls over the payment of overtime.

In the circumstances, the County Government may be incurring excessive and unauthorized expenditure in the payment of overtime allowance which has not been duly authorized and earned.

21.4 Leave Management

The County Human Resource Department does not have in place a standard leave management procedure for its employees. The County Government uses the CBA for the defunct Local Authority's employees and the County Human Resource Manual for the other staff. This has led to payment of leave allowance to 37 officers twice in the financial year, amounting to Kshs.2,891,990.

Consequently, the irregular payment of leave allowance contrary to the policy increases the unauthorized salary expenditure of the County..

22.0 Legal Matters

22.1 Legal Cases

Review of the legal files during the year observed several instances of misuse of funds involving lawyers and the legal department of the County Government. The County Government does not have a register of legal cases in place and new cases inexplicably appear from nowhere.

During the year under review the County Government had made a provision c' Kshs.43,500,000 for legal cases in its budget for 2014/2015 but the actual expenditure amounted to Kshs.1,149,676,732, giving a variance of over expenditure of Kshs.1,106,176,732 or about 26430%. This however does not take into account the list of various orders that have cost the County Government tens of billions of shillings over the years. The cases enumerated below give a glimpse of the operations of the legal department and some of the cases facing the County Government.

22.2 Legal Case number HC MISC JR 461 of 2014 Senco Ltd and Another Vs Nairobi City County

Musyoki Mogaka and Company Advocates was paid Kshs.5,431,036 in case number HC MISC JR 461 of 2014 Senco Ltd and Another Vs Nairobi City County. The case was for defending the County on rates arrears of Kshs.379,385,218 on LR 209/3324 in respect of a school. The locality of the School and how much the county generates annually from the petitioners was not disclosed. The locality of the school and the status of the case as at the time of audit were not provided. Debtor schedule detailing the rates arrears owed by the petitioners was not presented for audit review.

Consequently, the propriety of the Kshs.5,431,036 charge to public funds could not be ascertained.

22.3 HC 315 of 2012 Hon Ferdinad Ndungu Waititu Vs. Attorney General and City Council of Nairobi

Momanyi and Associates were paid Kshs.60,000,000 in case number HC 315 of 2012 Hon. Ferdinad Ndungu Waititu Vs. Attorney General and City Council of Nairobi. The petitioners moved to court seeking orders restraining the respondents, their servants or agents from evicting, removing, destroying or demolishing or in any way interfering with the possession and business of persons residing or doing business in Blue Estate, Shauri Moyo more particularly on L.R number 209/5533/166, plot number 155,172 and 358 pending further orders. The structures were constructed without approved plan hence illegal.

City Council of Nairobi appointed Abwao Erick Odhiambo and Advocates on 18 September, 2012 to represent them in the case. On 19 September, 2012 Momanyi and Associates were assigned to take over the case from Odhiambo. No details were provided to show how the case changed hands from Odhiambo to Momanyi.

On 21 August, 2013 a fee note from Momanyi and Associates of Kshs.968,000,000 was raised. On 28 August, 2014 a Mr. Abwao Eric Odhiambo, an Assistant Director- Legal Affairs at the Nairobi City County responded to the Momanyi and Associates fee note reducing it to Kshs.818,175,614. The fee note was based on the facts of defending the County Government in a petition case involving claim of damages of Kshs.25 billion, perusal, filling, serving notice of change, County's verifying affidavit, perusal of amended chambers summon and taking researches. The petitioner quoted a population of over 6,000 families. On average, the family unit is 4.5 per household resulting to 243,000 people. This was not verified by the defendants and the County Government.

A quick review of the facts revealed that on average three plots can hardly occupy three acres in the area of Nairobi referred to in the petition, which therefore cannot house 6,000 families. Furthermore, a simple multiplication of 6,000 by 4.5, the cited average people per household in the suite file results to 27,000 people and not the 243,000 quoted. In the census of 2009, Kibera was indicated to have had 282,000 people. The three plots quoted above therefore housed approximately 86% of the Kibera dwellers in 2009. This is practically not possible.

The management did not detail the value of the plots in dispute. It was also not explained whether there was damage and destruction of property which needed compensation. The basis of the Kshs.25 billion cited by the advocate could not be ascertained and verified.

Further, there appears to be conflict of interest between the firm of Abwao Eric Odhiambo Advocates and Mr. Abwao Eric Odhiambo – an Assistant Director- Legal Affairs. Although no details were provided to enable us understand the distinctiveness of the two individuals, under the circumstances, the two appear the same person. In addition, no attempt was made to have the matter settled out of court.

Furthermore, our attempt to obtain the status of the case was not possible as no support was given by the legal department. Under the circumstances, the legal fees paid of Kshs.60,000,000 was not a proper charge to public funds, and the pending bill of Kshs.758,175,164 outstanding in this account in respect of legal fees does not appear valid.

22.4 HC JR PET number 342 of 2012 St. Benjamin Memorial Clinic Vs Attorney General, City Council of Nairobi and Others

In the year 2012, a clinic, St. Benjamin Memorial Clinic went to court. The clinic was petitioning the court to resolve a dispute between it and the City Council of Nairobi in regard to leasehold and rates being demanded by the City Council amounting to Kshs.278,796,332. The case involved land no. 209/193 in Pangani Estate under the Government Lands Act, and was valued at Kshs.2 billion, by Wamae Mureithi and Associates dated 26, June 2012. According to the petitioners, the land was 19.03 hectares, while city lawyers put it at 16.59 hectares. The difference in average of the subject parcel of land that is cited in the dispute was not explained. The lawyers Koceyo and Company Advocates were paid Kshs.5,000,000 as legal fees. However, the debtor schedule detailing the rates arrears owed by the petitioners was not presented for audit review.

Consequently it was not possible to confirm the existence of the case. In addition, the validity, and relevance of the payment, of Kshs.5,000,000 paid to Koceyo and Company Advocates could also not be ascertained.

22.5 Republic – Vs – County Secretary and Chief Finance Officer Exp: Catherin W. Ngala T/A C.W. Ngala & Co. Advocates

On 17 October, 2014, the High Court issued an order compelling the County Secretary and the Chief Finance Officer to pay C. W. Ngala and Advocates a decretal sum of Kshs.21,985,395 arising from the above matter. This included the principal sum of Kshs.15,814,226 and interest on the principal at 14% per annum up to 31 December 2014. This was as a result of failure by the defunct City Council of Nairobi to settle the Advocate's legal fees for 139 suits at various dates from the year 2000.

The County did not honour the order which forced the applicant to file another motion seeking for show cause action against the County officers for contempt of Court. According to schedule of payments provided, the first installment of Kshs.16,000,000 was paid on 16 December 2014. Subsequent payment on 23 June, 2015 amounted to Kshs.11,000,000. Additional costs in form of legal fees to the County advocates specifically occasioned by the default on the part of the County as at February 2015 stood at Kshs.1,790,000.

The fee note issued by the County advocates dated 3 February, 2015, amounting to Kshs.1,790,000 was not clearly broken into individual items. Value of the subject matter indicated on the fee note was Kshs.24,651,077 while the value according to the Court order was Kshs.21,985,393.

Consequently it was not possible to confirm propriety of the legal fees paid.

22.6 Hccc No. 874 of 2010, Josmas Enterprises – Vs- City Council of Nairobi

In the above case Josmas Enterprises took the defunct City Council of Nairobi to court seeking for general damages and costs for failure by the Council to award to the Company a contract for the decommissioning of the Dandora Waste Disposal site. On 2 May 2014, the High Court made a ruling dismissing the suit and on 9 July 2014 the same Court ordered the Plaintiff to pay the cost of the suit. The Advocates of the County filed bill of costs which the Court allowed in the sum of Kshs.32,374,347.

Whereas the County has made efforts to settle the legal fees, there is no evidence to support efforts to recover this amount from the Plaintiff as ordered by the Court. Further, the amount has not been recognized in the County financial statements as current asset. In the circumstances, the County Government may suffer financial loss if no efforts are made to recover the Kshs.32,374,347 due from Josmas Enterprises.

22.7 Hcc Misc. App. No. 289 of 1997, Lalji Bhimji Sanagani Builders & Contractors Vs City Council of Nairobi

In 1997 Laiji Bhimji Sangani Builders and Contractors filed a suit against the City Council of Nairobi seeking payment of Kshs.48,398,487 and interest on the same amount. They were also seeking payment of the costs of the suit together with interest and such other relief as the court may deem fit. Rustam Hira claimed that on 20 January 1987 they entered into a contract with Council to execute and complete the main construction

contract of painting and decoration for the Council's Umoja Phase II estate for the agreed contract price of Kshs.211,750,000. In October 1991, the engineer issued certificate number 17 whereby the Council was liable to pay Kshs.14,890,364.50. The Council however paid only Kshs.7,500,000 leaving a balance of Kshs.7,390,364.50. In January 1996 the engineer issued another certificate number 18 whereby the Council was liable to a further Kshs.29,019,006.15 which the Council did not honour. This was the basis on which the Contractor filed the suit against the Council.

On 4 March 1997, the High Court issued an order requiring the Council to pay the Contractor Kshs.59,221,185.34 together with interest at the rate of 26% per annum from 5 March 1998 until full settlement. According to the analysis done by the Legal Section of the defunct Council dated 2 September 2009, the outstanding detrital sum as at that date was Kshs.468,835,361.83.

It is evident that a matter that would have cost tax payers Kshs.48,398,487 to settle is now likely to cost an additional Kshs.464,186,875 excluding additional interest from 1 April, 2009 to date. This also excludes legal fees payable to the County advocates whose exact amount could not be ascertained.

In the circumstances, the County Government may incur huge loss of public funds due to the negligence by the management of the County.

22.8 Hccc No. 493 of 1991. Ndiuco Limited -Vs- Nairobi City Commission

In the above case, Ndiuco Ltd. filed a suit in 1991 against the Nairobi City Commission for payment of Kshs.15,310,000 being loss incurred by the Company due to the acts of the Commission. They were also seeking general damages, interest, costs and any other relief that the Court would have deemed fit to grant in the circumstances of the case. The case was grounded on the claim by the Plaintiff that in 1988 the Commission advertised for public auction parcel of land L.R. 21/1/45. The Auction was conducted by Ujuzi Traders where Ndiuco Ltd. emerged the highest bidder and was declared the purchaser at a price of Kshs.500,000. The Commission however failed to obtain a Raising order from the court which was their responsibility. The Company subsequently applied for a vesting order from the High Court which was issued on 6 December 1989. The Company proceeded with plans to develop the property and after coming up with detailed plans, the Commission refused to approve the building plans on grounds that the Company was not the registered owner of the property as per the records. The Company demanded that the Commission pass title to the Company which did not happen only for the Company to discover that the Commission had passed the title to other parties.

The Court made a judgement in April, 1991 in favour of the Company but the Company appealed for the further review of part of the ruling which they were not satisfied with. In October 2000, the High Court upheld the Court ruling of April 1991. Consequently a decree was issued by the High Court requiring payment of Kshs.50,156,861 to the Company which included the principal award of Kshs.15,310,000 and general damages of Kshs.500,000 in the 1991 ruling. The difference of Kshs.34,346,861 was interest on the principal and general damages up to October, 2000.

According to County records, the outstanding decretal sum as at 9 August, 2011 was Kshs.206,145,518 but the Plaintiff was willing to accept Kshs.150,000,000. As at the same date the outstanding taxed costs (party to party costs) was Kshs.12,778,947. Further correspondences showed that the firm was willing to accept Kshs.9,000,000. The revised amounts of Kshs.150,000,000 and Kshs.9,000,000 were on condition that the payments were to be made by 17 October, 2011. According to records examined, the defunct Nairobi City Council had made payments approximating Kshs.20,000,000 excluding legal fees to the Council's advocates. This case therefore is likely to cost the tax payers at least Kshs.238,924,465. This figure includes Kshs.179,772,268 being interest on principal and taxed costs up to October 2011 which could have been avoided if the Council complied with the Court order.

The full amount which represents loss of public funds would have been avoided if the defunct Commission officials exercised due diligence in the performance of their duties in regard to the sale of the land.

In the circumstances, the County Government will incur huge loss of public funds due to negligence of the management of the County Government.

22.9 Outside Court Settlement of Kshs.4,000,000.00 on Legal Case no CMCC 8578 of 2007

The defunct City Council of Nairobi was sued by Mr.Kinuthia Wa Mwangi for allowances not paid during the Africities Summit held between 18-24 July 2005 as the National Coordinator. The National Chairman of the summit was the Mayor of City Council of Nairobi. In an internal memo dated 15 October, 2007 written by Director -Legal Services the City Council disowned that the plaintiff was recruited by the Council as no documents were produced to confirm whether the plaintiff was appointed by the then Minister of Local Government.

According to verifying affidavit at Milimani Commercial Courts dated 24 September, 2007 the plaintiff swore that the then defunct City Council of Nairobi owed him a sum of Kshs.1,964,571.60. An amended plaint was done and filed on 19 February, 2013 at Milimani law courts for Kshs.3,047,393.84. In an internal memo from Senior Counsel-Litigation dated 3 September, 2013 it was agreed that the payments were dully payable.

The following issues were however noted:-

(i) The letter appointing the claimant as a Consultant and Advisor of Africities was not produced for audit,

(ii) A decree was made on 10 January, 2014 that the plaintiff be paid Kshs.4,000,000.

(iii) No records were available to confirm that the plaintiff had been appointed as consultant for the said function. Consequently, the validity of the expenditure could not be confirmed.

In the circumstances the County Government will incur huge loss of public funds due to negligence of the management by the County Government.

22.10 Legal case No. HC ELC No. 359 of 2012 Hass Petroleum Kenya Limited –Vs- City Council of Nairobi

The defunct City Council of Nairobi was sued by Hass Petroleum Kenya Ltd for trespass on the premises the Council had leased to them measuring 1.2881Ha.
The plaintiff had started construction of a fuel depot which had an estimated cost of USD 6,000,000 as per the court case. Due to the above case the advocate representing the defunct City Council of Nairobi sued the Council for failure to pay legal fees. An amount of Kshs.11,301,730 was settled. The County paid Kshs.4,301,730 through electronic transfer on 5 June, 2015.

The following documents were not produced for audit:-

(i) The judgment of the case between Hass Petroleum Kenya Limited –Vs- City Council of Nairobi,
(ii) The procurement documents of how the legal file presenting the Council was identified and appointed,

(iii) The fee agreed upon by the defunct City Council for the advocate to represent them in court.

In the circumstances, it was not possible to ascertain whether the legal services were procured competitively and the validity of the payment could not be confirmed.
From the foregoing, it would appear that the staff of the County Government and their predecessors, lawyers and judicial officers have been planning to fleece the County Treasury through numerous and inexplicable cases.

23.0 Assets

23.1 Malfunctioning of the Integrated Urban Surveillance System for Nairobi Metropolitan area –Nairobi Central Business District

The Installation, Testing and Commissioning of an integrated urban surveillance system for Nairobi Metropolitan area (Nairobi Central Business District) was implemented by Ministry of Nairobi Metropolitan at a contract sum of Kshs.437,405,895.36. The contract was awarded to M/S Nanjing Les Information Technology Ltd on 14 September, 2012.
The project entailed installation of surveillance cameras, installation of new traffic management system, construction of control Centre and installation of associated software.

Traffic Management Inspection Reports were to be received through traffic signal controller, traffic signal heads and count down timers. Control room equipment inspection reports were to be realized through network video recorder, management server, client workstations, access control system, video analysis server, installation of Liquid-Crystal

Display monitor (LCD). However, the communication between the control Centre and the several surveillance points was not possible because of lack of requisite equipment.

Cameras inspection reports were to be realized through; Internet protocol cameras (IP cameras) the digital video cameras commonly employed for surveillance, and which, unlike analog closed circuit television (CCTV) cameras, can send and receive data via a computer network and the Internet.

It was observed that most cameras that were installed to manage traffic were not functional; the signal could not be displayed on the LCD Monitors located at the City Hall Annex Control Centre due to poor internet services.
The reports were also to be realized through Pan–tilt–zoom cameras (PTZ camera) cameras capable of remote directional and zoom control, out of the 42 cameras installed only 16 were functional.

Vehicle number plate recognition was also to be one of the reports to be realized, however, the cameras were not able to detect number plates. It was also not explained whether the malfunctioning of the cameras is due to lack of maintenance at the communication chambers, duct point, fiber optical access points or laxity from the County Management hence leading to vandalism.

It was noted that the surveillance system and Security installations may not be relied upon and the traffic management in the Central Business District may be affected. In the circumstances it was not possible to confirm whether the Kshs.437,405,895 expenditure was a proper charge to public funds.

23.2 Kayole Sub-District Hospital

23.2.1 Unserviceable Items

Verification of facility's assets revealed existence of obsolete or unserviceable generators, furniture and old computers. The equipment occupies space that could be utilized in a more beneficial manner. The equipment's value could not be determined and continues to deteriorate; this could be salvaged if measures are put in place to dispose them off.

Consequently the unserviceable equipment may end being worthless if measures are not put in place to dispose them off. Further there will be high and unnecessary costs of storage and space that continue to be incurred.

23.2.2 Lack of Standby Power Backup

Kayole Sub-district Hospital is a hospital specializing in maternity cases. The facility does not however have a standby generator to provide power backup during power disruptions. This hampers effective service delivery during times of power failure.

Consequently service delivery may not be achieved during times of power failure and can result to loss of life in case of emergency services.

23.3 Irregular allocation of County land

As reported in the previous year, verification of sampled land and buildings within the city county government jurisdictions revealed grabbing of public land, illegal and irregular allocation of county land, failure to secure the county land among others. Details are as follows:-

23.3.1 Construction of Perimeter Walls

Perimeter walls were constructed in various County Government properties to protect County Government land from grabbers. However the survey department did not survey the land before commencement of construction. Site visits to some of the areas showed that private developers had encroached on some of the properties and construction of the walls was done inside the beacons.

(i) In the Case of Lang'ata Primary School, a portion of the land was allocated to private developers. A hotel is on site and allocation records were not made available,

(ii) For Madaraka Primary School; the land has been encroached on and boundaries interfered with. Allocation records were not made available,

(iii) For Nairobi River Primary School; the land has been encroached on and allocation records were not made available for review.

(iv) Encroachment on the Komarock Ward Offices Komarock Ward-Embakasi Central Sub County; the land in which the Komarock ward offices have been built has been claimed by private developers.

(v) Encroachment of Mutuini Hospital; the hospital land is not fenced and has been invaded by squatters. Further the hospital building has visible cracks and has been condemned by Public Works.

(vi) Eastleigh Market, this property was allocated to private developers, no documents were provided to show how the allocation was done,

23.3.2 Allocation of County Land to private developers

The then defunct City Council of Nairobi allocated various parcels of land to private developers. Some of the developers have since demolished properties previously owned by the defunct Council. The process of allocating the land to private developers could not be confirmed as transparent given that no records were provided to confirm the process. Some of the land issued to private developers included;-

(i) High Ridge Health Centre; where the health centre was demolished and the parcel of land allocated to private developers. Allocation records were not made available.

(ii) At Nanyuki Roads Store and Depots; the land was reserved for road maintenance materials and it was demarcated and 1.227 hectares hived off and allocated to M/s

Hass Petroleum Ltd. It was further noted that the depot lost materials estimated to b(worth twenty two million (Kshs.22M) stored in the demarcated land and two offices which have since been converted into private offices by the beneficiary firm.

In the circumstances it was not possible to confirm the validity of the above allocation due to non-provision of supporting document.

23.3.3 Karen Health Centre Land Dispute

The County awarded a contract to construct a perimeter wall at Karen Health Centre. A visit to the facility revealed that the contractor has carried out part of the works. It was established that the remaining part of the wall could not be done due to a boundary dispute between the facility and a neighbouring PCEA Church which according to the Management of the facility, has encroached on the facility's land. No title documents were provided by the County Government to confirm ownership.

Consequently it was not possible to confirm ownership of the Karen Health Centre land.

23.3.4 Irregular Allocation and Disposal of County Land LR. NO 209/2531/1

The above land, now occupied by Highways stores was originally allocated to the then Municipal Council of Nairobi title NO IR 4786, LR No.209/2531 for a term of 99 years from 1 October, 1929 to 1 October, 2028 measuring 20.5 acres. On 18 June, 1952 the Kenya Meat commission was allocated part of the land measuring 2.5 acres: - On 10 October, 1969, 9.5 acres was allocated to St Peter Claviers' and Muthurwa Primary Schools. A visit to the site showed that portion of the remainders of the land 8.5 acres has been allocated to unknown private developers as follows: -

- Part of Country Bus Station phase 2.
- Part of the Nairobi City county department.

No documents were produced to show how the private developers were allocated the land.

Consequently Social amenities cannot be constructed due to grabbing of the County Government land; it was not possible to ascertain the ownership of the land.

23.3.5 Securing and Construction of Perimeter Walls for Primary Schools in Pangani Ward-Starehe Sub County

The Nairobi City County has various schools in Pangani Ward- Starehe Constituency. Field visit of the primary schools showed that the County has not constructed perimeter walls to secure the school land.

The affected schools are:-

(i) Muslim Primary School
(ii) St. Brigid Primary School
(iii) Dr Aggrey Primary School
(iv) Pumwani Primary School
(v) Ainsworth Primary School

(vi) Pangani Primary School
(vii) Race-Course Primary School
(viii) Juja Road Primary School

In the case of Muslim Primary School, outsiders have invaded the school and blocks of seven classrooms are being occupied by outsiders at night. The seven classrooms are being used as sitting room, bedroom, kitchen and toilet among others by the intruders.

Vandalism is also rampant in the eight schools hence learning for the pupils is normally affected by lack of desks, leaking roofs, cold classrooms because of damaged windows. Facilities are also dilapidated and need major rehabilitation and renovations. The survey of the schools land should be carried out before commencement of perimeter wall construction.

Learning in these institutions has severely been paralysed, while the security of the pupils and teachers is compromised. Furthermore, the schools may not be serving the purpose for which they were set.

The above situations are indicative of significant impairment on some of the County Government properties. I am therefore unable to confirm the extent of impairment of the value of these properties due to the above anomalies.

24.0 Buy off of Equity Bank Loan by Kenya Commercial Bank

As reported in the previous year, the defunct City Council of Nairobi acquired a loan facility from Equity Bank for Kshs.5 billion at a transaction fee of Kshs.50,000,000. The repayment period was five (5) years repayable quarterly at Kshs.333,333,334 at an interest rate of 10% on reducing balance. A letter dated 26 September, 2012 from Equity bank revised the interest rates from 24% to 20% an indication that the rates were affected by the changes in the market. It has not been explained when the interest rate changed from 10% to 24%.

The County defaulted in the repayment of the loan leading to increased interests on the outstanding balance. Information available indicates that the loan was to pay off the statutory creditors and other approved creditors. From records available the outstanding statutory creditors' balances remain high.

The Nairobi City County negotiated with Kenya Commercial Bank of Kenya for a buy off of the loan from Equity. The deed of assignment of Kshs.3,300,000,000 was signed by both parties on 10 September, 2014. Further interest rates applicable were the prevailing base lending rates from time to time less four (4) percent p.a but subject to a minimum rate of 13% p.a.

(i) Balances from Equity Bank

The Equity Bank statement balance as at 1 September, 2014 reflects that the bank paid off the Loan for Kshs.3,023,323,602, (with payoff demand of Kshs.198,358,812 and

payoff repayment amount of Kshs.2,824,964,790). It was not clear how the demand satisfaction of Kshs.198,358,812 was arrived at.

The deed of assignment reflected Kshs.3,300,000,000 whereas the Equity bank balance was Kshs.3,023,323,602 resulting to unexplained difference of Kshs.276,676,398.

(ii) Current Status

The management opened two accounts in KCB on 2 September, 2014, Account Number 1159076065, Nairobi City County Current Account and an amount of Kshs.3,064,462,839 was deposited into the account. On the same day money was transferred to Commercial Loan Account Number, MG1424500930 with the same amount as the loan granted.

Further the Current account was supposed to be credited with funds for repayment of the loan; however examination of the bank statement revealed that the current account was being overdrawn to finance the loan. This meant that the management incurs two interest expense; on the loan facility and on the overdraft.

As at 30 June 2015 the balances on the two accounts; Current account and Loan account were Kshs159,592,069.61 and Kshs.2,925,153,543.04 respectively.

The additional amounts payable of Kshs.198,358,812 being penalties levied by Equity bank for calling the loan early, Kshs.276,676,398 being the amounts paid over and above the existing loan balance of Kshs.3,023,323,602 to KCB and the quarterly repayment amount of Kshs.333,333,334 at the point of taking over the loan, all amounting to Kshs.808,368,544 were additional costs that could not be justified. It is therefore not clear and justifyable whether it was necessary for the county to assign the loan from Equity Bank to KCB.

25.0 Garbage Collection & Other Environmental Matters

25.1 Garbage collection

The statement of receipts and payments reflects expenditure totaling Kshs.7,070,549,690 under the use of goods and services item. Included in the figure are amounts spent on garbage collection not broken down properly as it included the various expenditure heads like other creditors, specialized materials and services, where it is comingled with other expenditure items. However, the following was observed in garbage collection.

(i) As at 30 June 2015 the total pending bills in respect of garbage collection was estimated at Kshs.800,000,000 that were not supported with documentation. However, it was noted that garbage collection companies are paid based on the weight and distance of garbage lifted and transported to Dandora dump site.

(ii) It is noteworthy that contracted businessmen would prefer heavier garbage regardless of its toxicity or pungency provided it would be paid for more.

(iii) In a study commissioned by the Nairobi City County Government, it was indicated that the city produces 2,400 tons to 2,600 tons of garbage daily. It was also

indicated that it would cost an average of Kshs.1,800 to collect a ton of garbage, which amounts to Kshs.1,708,200,000 per year on garbage, while the City County Government allocated an amount of Kshs.381,792,897 only for the year ended 30 June 2015.

(iv) Management does not appear to have had a specific garbage collection policy that would rid the City County of mountains of garbage in various estates and areas in the City. The reason given for the failure to manage garbage collection is lack of funds. However, it would appear that an approach on garbage management that is purely based on weight of garbage collected and distance to the dumpsite would certainly lead to uncollected garbage, as it makes business sense to let the garbage build up to ensure economies of scale while transporting. The County management may need to explore other means of garbage collection and management while encouraging public participation, contracts based on areas rather than weight of garbage, civic education and better management of informal traders among other measures.

25.2 Operations at the Dandora Dump Site

As was also reported in the previous period, a physical verification of the operations at the Dandora dump site during the audit exercise revealed a number of anomalies that include the following:-

(i) Lack of standby power back up for the weigh bridge in cases of power failures.

(ii) Lack of adequate protective tools and equipment for the staff working at the dump site.

(iii) Lack of offices, computers and safes for keeping cash. It was indicated by a staff member that they sometimes receive students from universities and colleges on field studies and therefore require a classroom to accommodate the groups during discussion sessions.

(iv) Most of the County heavy equipment used in dumpsite is grounded and the County relies heavily on hired equipment.

(v) Lack of proper facilities may compromise effective operations at the dumpsite.

(vi) Dandora Power Project worth Kshs.28 billion has stalled due to lack of title deed as demanded by the financier.

26.0 ICT Internal Control Environment

26.1 Integrated Financial Management Information System (IFMIS)

The County Government had implemented the Integrated Financial Management Information System (IFMIS) partially, where transactions of the same nature are

sometimes processed through IFMIS and others outside of IFMIS. It was not clear why the County Government chose not to take full advantage of a system that enhances efficiency in planning, budgeting, procurement, expenditure management and reporting.

26.2 ICT Policy

The County Government has not developed a policy on ICT, to formally document and approve processes to manage system upgrades or changes made to all financial information systems. Consequently, it is not able to monitor changes made to all financial information systems.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

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

Nairobi

05 October 2016