

REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL OPERATIONS OF  
KIAMBU COUNTY EXECUTIVE**

**FOR THE PERIOD  
1 JULY 2013 TO 30 JUNE 2014**

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# **REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF KIAMBU COUNTY EXECUTIVE FOR THE PERIOD 1 JULY 2013 TO JUNE 2014**

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## **EXECUTIVE SUMMARY**

### **INTRODUCTION**

The Office of the Auditor General has the mandate to audit and report on the accounts of the National and County Governments under Article 229 of the Constitution and Public Audit Act, 2003. Further, the County Government Act, 2012 replaced the Local government Act Cap 265, thus effectively dissolving all the 175 local Authorities and creating 47 County Governments.

### **AUDIT OBJECTIVE**

The objective of the audit was to ascertain whether the systems formulated and applied by the County Executive were reliable for the management of the County's finances in the delivery of service to the local residents.

### **TERMS OF REFERENCE**

The terms of reference set for audit included verification and confirmation of transactions in respect to but not limited to the following areas:

- ✓ Annual Operational/Activity Plan
- ✓ Budgetary control and performance
- ✓ Procurement of goods, Works and services
- ✓ Allowances including travelling and accommodation expenses for local and foreign trips
- ✓ Motor Vehicle Running Expenses-Fuel
- ✓ Consultancy Services
- ✓ Bursaries
- ✓ Imprests and advances
- ✓ Cash and Bank balances
- ✓ Human Resource Records
- ✓ I.T. environment
- ✓ Non-Current Assets
- ✓ Debtors
- ✓ Creditors

## **KEY AUDIT FINDINGS**

### **1.0 POLICY ISSUES**

#### **1.1 Lack of Policy/Plans**

During the period ended 30 June 2014, the County Executive of Kiambu did not comply with the County Executive Act on designing and implementation of the County Human Resource Policies and Plans. It had no approved staff establishment for the County, integrated Human Resource Plan and job evaluation and analysis policy and report.

Consequently, responsibilities of staff at different levels of the organization and their roles in decision making were not defined, documented, communicated and evaluated to the staff for clarity in execution.

## **2.0 CURRENT ASSETS**

### **2.1 Cash and Bank Balances**

#### **Incomplete Records of Receipts and Payments**

During the period under review, the County Executive did not maintain cashbooks and updated bank reconciliation statements for revenue and expenditure. Consequently, the accuracy of the reported balances of collected revenue and payments made in the period could not be ascertained. Further, the accuracy of cash and bank balances as at 30<sup>th</sup> June, 2014 could not also be confirmed.

#### **2.2 Outstanding Temporary Imprest**

The County Executive had outstanding imprest balances of Kshs.26,364,579 as at 30 June 2014. These are amount of imprests which ought to have been surrendered on or before 30 June, 2014 but were not. Review of the Imprest register revealed that there were cases of officers being issued with multiple imprests some of which were unsurrendered.

Further, most of these imprests were paid in cash to the officers instead of depositing cheques directly to the individual bank account.

Although the imprest register was maintained, the register was not properly recorded and updated. The management did not provide explanation as to why the outstanding Imprest has not been recovered from the defaulting officers.

#### **2.3 Loss of Cash at Ruiru Sub-County**

Records made available shows that Kshs.150,000 could not be traced in Ruiru sub-County office. This was after a robbery on the night of Thursday, 5<sup>th</sup> June 2014 in the sub-County office. However, no evidence was produced to show that the officer in charge reported the matter to the police and that investigations were undertaken.

## **3.0 NON-CURRENT ASSETS**

### **3.1 Land**

The County Executive inherited a total of 593 parcels of land from the defunct local authorities. However, the County did not maintain a fixed assets register to record its parcels of land and other assets it owns. Further, records of land handed over from some defunct local authorities were not available for audit verification, most of the land did not have titles or estimated worth and those with values had unrealistic balances.

### **3.2 Motor Vehicles**

Records revealed that the County Executive inherited motor vehicles and equipment from the defunct local authorities.

However, most of these motor vehicles were grounded and needed repairs. No efforts were seen to have been made whatsoever to have the vehicles repaired or boarded for the benefit of the County Executive.

### **3.0 CURRENT LIABILITIES**

#### **4.1 Pending Legal Fees**

The County Executive had pending Legal bills amounting to Kshs.99,015,662.00 for the period ended 30 June 2014. Review of the legal records showed that some of these debts were inherited from the defunct local authorities dated back to the year 2000. However, the accuracy and authenticity of this balance could not be confirmed due to lack of complete records and documentation.

### **4.0 PROCUREMENTS**

#### **5.1 Procurement of Goods**

The County Executive procured goods worth Kshs.720,190.00. The supply of stationery worth Kshs. 330,190.00 by Kellnett Agencies General Merchants was sourced through quotations. These quotation were opened by one person which is against regulations. Further, contract for supply of typhoid vaccine by Molars Limited totalling Kshs.390,000.00 was procured using a pro-forma invoice and no quotations were flouted. As a result, the propriety of expenditure totalling Kshs.720,190.00 could not be confirmed.

#### **5.2 Procurement of Architectural Designs for Juja Sub-County**

The County Executive paid Kshs.600,000.00 to Saxon Services ltd for preparing architectural designs for Juja sub-County offices. However, it was not explained why the County out-sourced these services yet it has access to Government experts who include architects, surveyors and engineers including those working in it. Further, the designs and drawings were not produced for audit verification. In addition, these services were not competitively sourced and the amount paid appears inflated.

#### **5.3 Unsupported Fuel Expenditure**

During the period under review, the County Executive made payments totalling Kshs.5,969,335.00 to Global Material Resources for supply of fuel to the County . However, delivery notes of the fuel drawn could not be traced to the fuel register in the store, daily petrol/oil issues and vehicles work tickets. The fuel purchased therefore appears not to have been properly accounted for.

In addition, the County Executive did not explain how Global Material Resources who supplied the fuel was identified and awarded the tender.

## **5.4 Acquisition of Land**

During the period under review, the County Executive acquired land valued at Kshs.999,600.00. However, the title documents to prove ownership of this land, details of the size and the location of the land were not available for audit verification

## **6.0 ROADS**

### **6.1 Irregular Procurement of Services**

The County Executive paid Don Woods Company Ltd Kshs.3,127,200 for rehabilitating Hospital - St Peter and Paul Catholic Church Road. However, it was observed that the contractor was single sourced contrary to procurement regulations. Further, the Bill of quantities (BQ) supporting the payment was not signed. At the time of audit, the road was still in a dilapidated condition despite the repairs. In addition, no inspection and acceptance committee certificate of completion was produced to show that the work was completed before payments were made.

### **6.2 Construction of Kiambu County Executive Headquarters**

The County Executive spent a total of Kshs.26,477,230.00 on construction of its headquarters in Kiambu town during the period ended 30 June 2014. The project started in June 2013.

The work involves demolishing part of the former Municipal Council of Kiambu offices, the canopy, excavating trenches for the perimeter wall and office extension. A physical verification of this project revealed that the project has not been completed as at October 2014. This has delayed the moving of Kiambu County Executive Headquarters from Thika to Kiambu town. No explanation was given for this delay.

### **6.3 Kiganjo and Madaraka Market Roads**

During the period under review, the County Executive contracted M/S Wanja Masons Enterprises for the delivery, of 100 M<sup>3</sup> hardcore quarry murrum to Kiganjo and Madaraka Market - Roads for Kshs.364,000 However, the contractor delivered soft rock instead of quarry murrum as per the engineer's specification.

### **6.4 Stage 160 Finance – Mwiki Ward**

The County Executive contracted Waseges enterprises for delivery of 406 tons of quarry murrum at a cost of Kshs.498,800.00. However, upon inspection it was found out that approximately 200 metres of the road was not completed apparently due to insufficient resources allocated. It was also noted that there was no provision for storm water drainage and in some instances and in other cases storm water was being drained into private land. Private home owners were also found dumping cotton soil on the roads.



## **6.5 Mukawa – Munandaini**

Town and City Construction Company were contracted by the County Executive to install culverts along Mukawa-Munandaini Road. However, no materials were found during site visit on 13 June 2013

## **7.0 HUMAN RESOURCE ISSUES**

### **7.1 Irregular Payment of Casual Wages**

During the period under review, the County Executive engaged casual workers at a cost of Kshs.6,808,378. However, most of the casuals were employed by the defunct Local Authorities with some having served for as many as seventeen years but they did not have contract letters to support their engagement, the schedules supporting the payments had not been signed by the casuals and the Human Resource department did not maintain the casual's database. The propriety of the money paid to them could not therefore be confirmed.

### **7.2 Unsupported Acting Allowances**

During the period under review, the County Executive paid out a total of Kshs.416,415 as acting allowances to various officers between July, 2013 and January, 2014. However, no letters appointing these officers in acting capacity were provided for audit review.

### **7.3 Irregular Payment of Special Duty Allowance**

The County Executive paid special duty allowances totalling Kshs.310,000 to various officers through payroll for the months of July, August, September, October and November, 2013. However, there were no documents authorizing these allowances and they were therefore irregular.

### **7.4 Payment to Employees of Muranga County**

During the year 2013/2014, a total of Kshs.23,403,274.00 was paid to officers working in Gatanga Sub-County which is in Murang'a County .

The expenditure should not have been incurred by the County Executive since the services were offered to a different County. It was also not clear whether these employees were also being remunerated by Murang'a County Government.

### **7.5 Payment of Leave Allowance**

During the year 2013/2014 the County Executive paid leave allowance totalling Kshs.33,944,604.40. However, it was observed that out of the leave allowance paid, Kshs.25,104,795.20 related to arrears and was not supported by relevant documentation. The accuracy of the amount could therefore not be confirmed. It was also noted that some officers were being paid multiple leave allowances, some as many as three times.

## **7.6 Unsupported Basic Salary Arrears and Payment Inconsistencies**

During the period ended 30 June 2014, the County Executive had arrears of salary totalling Kshs.261,885.45. However, schedules and payrolls for the periods it related were not produced for audit verification. Further, an analysis of the payroll between July 2013 and January 2014 revealed that the basic salary of some officers changed significantly and no explanations were provided.

## **7.7 Failure to Adhere to Recruitment Policies**

The County Executive recruited a total of 126 employees, only seven (7) recruits out of this were from non-dominant community in the County representing 5% of the total number employed. This was lower than 30% required by Section 65(1) (e) of the County Government Act, 2012.

Further, among the new employees recruited were 9 recruits for the post of the enforcement officer who scored below 50% with one scoring as low as 23% but were recruited nonetheless. This was contrary to the board's policy on the threshold score for appointments.

## **7.8 Use of Manual Payroll**

The County Executive had a total of 133 members of staff who were outside the government approved payroll for no clear reasons. A total of Kshs.34,527,423.00 was paid to the officers on manual payroll between December 2013 and May 2014.

## **8.0 REVENUE**

### **8.1 Unsurrendered Receipt Books at Ruiru Sub-County**

During the period under review, the County Executive had unaccounted for and unsurrendered receipt books with a value of Kshs.8,498,240 and 2587 leafs of miscellaneous receipts which had not been denominated at Ruiru Sub-County . The dates when these receipt books were issued to the clerks were not indicated in the records. It was also observed that the revenue clerks were issued with additional revenue collection books before surrendering the previous ones contrary to provisions of the government financial regulations.

### **8.2 Loss of Revenue at Ruiru Sub-County**

An audit inspection carried out at Ruiru Sub-County revealed that revenue totalling Kshs.817,563 was lost through theft on 5<sup>th</sup> June, 2014. The amount comprised of cash on hand amounting to Kshs.594,714 and cheques worth Kshs.222,849. The theft was reported to the County Secretary, County Executive of Kiambu on 9<sup>th</sup> June, 2014.

However, no police abstract was produced to confirm that the incident was reported to the police and that investigations were being carried out.

### **8.3 Irregular Operation of Safaricom Paybill Account**

The Kiambu Sub-County opened a Safaricom pay bill account in June 2014. The paybill number was 927411 registered under Kiambu Sub-County. However, the County Treasury was not aware of the existence of the Safaricom pay bill number. It was explained that there was no authorization from the County Treasury for opening the paybill account for the Sub-County yet the revenue collected is for services offered by the County Executive. Between 18<sup>th</sup> and 25<sup>th</sup> June 2014, the pay bill number had collected a total of Kshs.810,798. 00.

The Kiambu Sub-County did not provide a statement of the pay bill account they were using to collect revenue for audit verification.

Further, there was no evidence that the amount collected was transmitted to Kiambu County Revenue account.



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

**Nairobi**

**14 August 2015**

# **DETAILED AUDIT REPORT ON THE FINANCIAL OPERATIONS OF KIAMBU COUNTY EXECUTIVE FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014**

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## **DETAILED AUDIT FINDINGS**

### **POLICY ISSUES**

#### **1.0 Lack of Policy/Plans**

The following was noted:

- i. There was no approved staff establishment for the County.
- ii. The County Executive had not developed an organizational structure contrary to the provisions of section 46(10) of the County Government Act, 2012. As a result, levels of authority in the County were not well defined.
- iii. The County Executive had not developed an integrated Human Resource Plan and Policy document to help in the management of its Human Resources.
- iv. The County Executive had not completed any job evaluation and analysis. Consequently, responsibilities of officers at different levels of the organization and their roles in decision making are not clearly defined, well documented and communicated to the staff.
- v. The County did not carry out any staff performance evaluation / appraisal during the year.

#### **Recommendations**

- i. There should be an approved staff establishment for the County Executive.
- ii. The County Executive should develop an organizational structure. There should be clearly defined roles for each level of authority.
- iii. The County Executive should develop an integrated Human Resource Plan and Policy document to help in the management of its Human Resources.
- iv. Job evaluation and analysis should be completed.
- v. The County Executive should carry out staff performance evaluation / appraisal for its staff at least once a year.

## **2.0 CURRENT ASSETS**

### **2.1 Cash and Bank Balances**

During the audit exercise, it was noted that the County Executive does not maintain updated cashbooks for Revenue, Recurrent and Development votes. Revenue collected was posted in Excel worksheets which could easily be manipulated. Without updated cashbooks it was not possible to ascertain/ verify the accuracy of the revenue/expenditure received/ incurred. In absence of the updated cashbooks, the correct cash and bank balances as at 30<sup>th</sup> June, 2014 could not be ascertained. It was also noted that the bank reconciliation statements had not been prepared for April and May 2014.

#### **Recommendations**

- i. Cash books should be balanced on a daily basis and bank reconciliation statements be prepared on monthly basis.
- ii. The County Executive should implement the IFMIS so as to ensure that all financial transactions are captured and posted properly.

### **2.2 Outstanding Temporary Imprest**

The statement of assets and liabilities for the County Executive as at 30 June 2014 reflects outstanding imprest balances of Kshs.26,364,579 which ought to have been surrendered on or before 30 June, 2014 but were still outstanding as at 30 June 2014. Examination of the Imprest register revealed that there were cases of officers being issued with multiple imprests while they still had outstanding imprests. Some officers had more than 10 unsurrendered imprests.

There were also instances where imprests were used to purchase items instead of using the normal procurement procedures. Most of the imprests were paid through the cash office rather than being wired electronically to imprest holders' bank accounts through the IFMIS system. The imprest register did not show when the imprest is due for surrender while department and personal numbers were also not indicated in the register. No explanation has been provided as to why the Imprest has not been recovered from the defaulting officers.

#### **Recommendations**

- i. The Kiambu County Executive should keep an updated Imprests Register and ensure that Imprests are surrendered in time.
- ii. Imprests issued should be surrendered within the stipulated period and no officer should be issued with another before accounting for the previous one.

### **2.3 Loss of Cash at Ruiru Sub County**

Review of Ruiru Sub-County records for the period up to June 2014 revealed that Liquor licensing committee allowances totalling Kshs.150,000 was stolen from the cash office on the night of Thursday, 5<sup>th</sup> June 2014. However, no evidence was availed to show that the

officers reported the matter to the police and that investigations are/were being undertaken.

### Recommendations

Investigations should be undertaken to reveal what caused the loss of cash.

## 3.0 NON-CURRENT ASSETS

### 3.1 Land

An earlier special audit carried out by OAG as at 30<sup>th</sup> June 2013 had revealed that a total of 593 parcels of land had been inherited from the defunct local authorities. However, the position appears to have changed although no explanation was given.

In some defunct local authorities, records of land held were not available as tabulated below. The County Executive did not maintain a fixed assets register making it hard to trace the assets.

<b>Defunct Local Authority</b>	<b>No. of parcels of land as at 30.06.13</b>	<b>No. of parcels as per available data (30.05.14)</b>	<b>Variance</b>
Kikuyu T.C	33	Records not available	-33
Karuri T.C	70	Records not available	-70
Kiambu C.C	23	15	-8
Limuru M.C	65	66	+1
Ruiru M.C	145	145	Nil
Kiambu M.C	49	Records not availed	-49
Thika M.C	194	117	-77
Thika C.C	14	Records not availed	-14
			<b>240</b>

All the pieces of land did not have title deeds and only the values for the defunct Thika Municipal and Kiambu County Councils had been indicated. However, values indicated were unrealistic, for instance Thika Municipal town hall offices were valued at Kshs.61,705,000 which in our view is undervalued. Land values for the other six defunct local authorities were not available.

### Recommendation

The County Executive should open a fixed assets register and ensure it is regularly updated besides taking inventory of all its assets.

### 3.2 Motor Vehicles

Records revealed that the County Executive inherited motor vehicles and equipment from the defunct local authorities. However, some were found to be grounded.

No efforts were seen to have been made whatsoever to have the vehicles repaired or boarded.

### **Recommendation**

The County Executive should consider repairing or boarding the vehicles as a matter of urgency.

## **4.0 CURRENT LIABILITIES**

### **4.1 Pending Legal Fees**

Examination of Legal records indicates that the County Executive has pending legal fees amounting to Kshs.99,015,662.00, some of which date as far back as the year 2000.

However, it was not possible to ascertain the correctness of the Kshs.99,015,662 due to lack of proper documentation. The figure was a combination of all sub-counties (former Municipalities) in Kiambu.

### **Recommendation**

The County Executive should confirm the authenticity of the legal fees and settle the same to avoid future litigation.

## **5.0 PROCUREMENT ISSUES**

### **5.1 Irregular Procurement of Goods**

The County Assembly irregularly procured goods worth Kshs.720,190.00 as follows:

- i. Quotations for supply of stationery amounting to Kshs.330,190 by Kellnett Agencies General Merchants were opened by one person, a Clerical Officer instead of three officers as per regulations.
- ii. Further, payment for supply of typhoid vaccine by Molars Limited amounting to Kshs.390,000 was made without form S13, a delivery note and quotations. Proforma invoices were used.

As a result, the propriety of the expenditure Kshs.720,190 could not be confirmed.

### **5.2 Architectural Designs for Juja Sub-County**

The County paid Kshs.600,000 to Saxon Services Ltd vide payment voucher number 600 dated 29 June 2014 for preparing architectural designs for Juja Sub-County offices.

It was not clear why the County Executive out sourced the services yet it has its own experts who include architects, surveyors and engineers. The designs and drawings were not availed for audit purposes, the services were single sourced and the Kshs.600,000 payments appear exaggerated.

## Recommendation

The County Executive should ensure prudence in utilization of public funds. Single sourcing and how the figure of Kshs600,000 was arrived at should be explained.

### 5.3 Unsupported Fuel Expenditure

According to vote book records, the County Executive made payments amounting to Kshs.5,965,336 to Global Material Resources on several occasions for supply of fuel as follows:-

<b>PAYMENT VOUCHER NO.</b>	<b>DATE</b>	<b>AMOUNT</b>
33	31.10.13	864,000
39	06.11.13	240,000
196	26.11.13	355,000
336	10.12.13	1,092,000
337	10.12.13	383,000
501	09.01.14	392,000
619	23.01.14	856,000
949	10.03.14	772,000
1061	22.03.14	143,335
2318	10.05.14	872,000
	<b>Total</b>	<b>5,114,191.00</b>

The following anomalies were noted; delivery notes were not available, fuel could not be traced to the fuel register in form of an S3 card, daily petrol/oil issues and vehicles work tickets, no documents were availed on how the contractor was identified and only payment voucher no.336 was availed for audit.

### 5.4 Acquisition of Land

Section 117(1)(a) of County Executive Act, 2012 stipulates that a County Government and its agencies shall in delivering public services give priority to the basic needs of the public. Section 117(2) (a) of the Act states "Public services shall be equitably delivered in a manner that accords to prudent, economic, efficient, effective and sustainable use of available resources".

The County Executive reported a figure of Kshs.999,600 in the financial statements under acquisition of land. Information gathered in the County revealed that this was in respect of purchase of two parcels of land in undisclosed locations. Ownership documents and payment vouchers were, however, not availed.

## Recommendations

Avail all the relevant documentation towards the acquisition of the land.



## **6.0 ROADS**

### **6.1 Rehabilitation of Hospital – St Peter and Paul Catholic Church Road**

The County Executive paid Don Woods Company Ltd Kshs.3,127,200.00 vide payment voucher number 266 dated 14.4.2014 for rehabilitating Hospital - St Peter and Paul Catholic Church Road vide LPO number 2120965 dated 30.1.14 and invoice number 101 dated 18.3.14. It was noted that the Bill of Quantities had not been signed and the contractor was also single sourced. Physical verification done on 5<sup>th</sup> February 2015 revealed that the road was still dilapidated and was in a bad state despite the repairs. It also appeared as if some unspecified remedial works had been done later on the same road since some potholes had been filled with fresh quarry waste. Further, engineer's inspection report which includes work done and measured and recommendation for payments were not availed for audit exercise.

#### **Recommendation**

Besides explaining the above anomalies, the County Executive should ensure roads are inspected by qualified personnel. Only the same engineers should make recommendations for payments.

### **6.2 Construction of Kiambu County Executive Headquarters**

Records available revealed that the County Executive had spent Kshs.26,477,230 on construction of its headquarters in Kiambu town.

The project started in June 2013. The works involved demolishing part of the former Municipal Council of Kiambu offices, the canopy, excavating trenches for the perimeter wall and office extension.

A physical verification of this project revealed that the project had not been completed by October 2014. This has delayed the moving of Kiambu County Executive headquarters from Thika to Kiambu town. No explanation was given for this delay.

#### **Recommendations**

The County Executive should ensure that construction of Kiambu County Executive headquarters is completed as per initial plans.

### **6.3 Kiganjo and Madaraka Market Roads**

A payment of Kshs.364,000 was made to M/S Wanja Masons Enterprises for the delivery, of 100 M<sup>3</sup> hardcore quarry murrum to Kiganjo and Madaraka Market Roads vide LPO no. 1211-0041 dated 27.11.12 and invoice no. 253 dated 28.05.14. The payment voucher dated 09.10.2013 was unnumbered. The roads were inspected on 13.06.14 and it was found that traders had encroached on the road making the drainage work impossible. Documents seen revealed that the contractor delivered soft rock instead of quarry murrum as per the engineer's specification.

## **6.4 Stage 160 Finance – Mwiki Ward**

Waseges Enterprises were paid Kshs.498,800 for delivery of 58 No. 7 tons lorries quarry murram vide LPO no. 027 dated 28.11.14 and invoice no. 1002 dated 08.01.14. The payment voucher dated 15.01.14 was unnumbered. A visit was made on 17.06.14 and it was found that approximately 200 metres had not been done due to insufficient resources that had been allocated. It was also noted that there was no provision for storm water drainage and in some instances, storm water was being drained into private land. It was also found that private home owners were dumping cotton soil on the roads.

## **6.5 Mukawa – Munandaini**

Town and City Construction Company were awarded the contract of installing culverts along Mukawa-Munandaini road. As at the time of audit, Kshs.1,998,448 had been allocated towards this project. A site visit done on 13<sup>th</sup> June 2013 revealed that trenching had been done, however there were no materials including the culverts on site.

## **Recommendation**

- i. The County Executive should address the issue of drainage and ensure encroachment on road reserves is stopped immediately.
- ii. The County Executive should ensure that the contractors complete the project as specified.

## **7.0 HUMAN RESOURCE ISSUES**

### **7.1 Irregular Payment of Casual Wages**

A total of Kshs.6,808,378.00 was paid during the year in respect of casuals engaged to serve in various sub-counties in Kiambu County Executive.

The following observations were made:

- i. Most of the casuals were employed by the defunct Local Authorities with some having served for as many as seventeen years. No contract letters were availed to support their engagement. In addition, policy documents / guidelines were not provided to support the subsequent engagement and payment to the casual workers by the County Executive during the year under review.
- ii. The schedules supporting the payments had not been signed by the casuals.
- iii. The Human Resource department at the County headquarters did not have any details about the casuals.

## **Recommendations**

- i. Explanation should be provided on why the casuals were not formerly engaged.
- ii. All payment schedules for the casual payments should be signed.

- iii. There should be staff rationalization to assess the need for the casuals and the number required for each Sub-County.
- iv. There should be a clear policy on employment and remuneration of casuals.

## 7.2 Unsupported Acting Allowances

A review of the County's Executive payroll revealed that a total of Kshs.416,415 was paid as acting allowances to various officers between July, 2013 and January, 2014. However, no letters appointing the officers in acting capacity were availed for audit. Details of the payments are as follows:

<b>Month</b>	<b>Amount (Kshs)</b>
July, 2013	79,009
August, 2013	79,009
September, 2013	79,009
October, 2013	79,009
November, 2013	79,009
December, 2013	10,685
January, 2014	<u>10,685</u>
<b>Total</b>	<b><u>416,415</u></b>

## 7.3 Irregular Payment of Special Duty Allowance

A total of Kshs.310,000 was paid through IPPD payroll during the months of July, August, September, October and November, 2013. There was however no authorization for the payment of the Special duty allowance and the payment was therefore irregular.

### Recommendation

The special duty allowance paid should be recovered from the payees.

## 7.4 Payment to Employees of Muranga County

During the period under review, a total of Kshs.23,403,274.00 was paid to officers working in Gatanga Sub-County which is in Murang'a County . The expenditure should not have been incurred by the Kiambu County Executive since the services were offered by the employees to a different County .

### Recommendations

The County Executive should seek refund of the amount from Muranga County.

## 7.5 Leave Allowance

During the year 2013/2014, leave allowance paid through the IPPD payroll amounted to Kshs.33,944,604.40.

Out of this allowance paid, Kshs.25,104,795.20 related to arrears. The arrears were not supported by relevant documentation. The amount couldn't therefore be confirmed as correct. Some officers were paid multiple leave allowances with some even being paid thrice

### **Recommendations**

- i. The leave allowance arrears should be supported by schedules of officers and necessary documentation showing that the arrears existed.
- ii. Justification should be provided for the multiple payment of leave allowance.

## **7.6 Unsupported Basic Salary Arrears and Payment Inconsistencies**

During the year 2013/2014, basic salary paid through the IPPD payroll amounted to Kshs.152,733,152.75 and out of this, Kshs.261,885.45 related to arrears. The arrears were not supported by necessary documentation such as staff schedules and the corresponding arrears for each officer.

An analysis of the payroll between July 2013 and January 2014 revealed that the basic salary for some officers changed significantly during the months. No reasons were provided for the inconsistencies in basic salaries during these months, and analysis of the changes in basic pay between July 2013 and January 2014.

### **Recommendations**

The inconsistencies in the basic salary should be investigated and any undeserved salaries paid should be recovered from the staff.

## **7.7.0 Failure to Adhere to Recruitment Policies**

During the year, a total of 126 employees were recruited and only seven (7) recruits were from non-dominant community, representing 5% of the total number employed. This is too low compared to the 30% required by Section 65(1)(e) of the County Government Act, 2012.

Among the new employees recruited were thirty nine (39) enforcement officers and seventy two (72) revenue collectors. An analysis of the score sheets for the enforcement officers revealed that 9 recruits who scored below 50% were employed with one scoring as low as 23%. This was contrary to the board's policy on the threshold score for appointments.

### **Recommendations**

- i. The County Executive should strive to achieve the 30% threshold in its recruitment as required by Section 65(1) (e) of County Government Act, 2012.
- ii. The Board should abide by its policies during recruitment

### **7.7.1 Excessive Wage Bill**

Compensation to employee costs for Kiambu County Executive during the period 2013/2014 was Kshs.4,029,700,974 against total expenditure of Kshs.6,741,586,923. The compensation to employee cost represents 59.77% of total expenditure, an indication that the wage bill is huge compared to other expenditure.

### **Recommendation**

The County Executive should take necessary measures to reduce its wage bill.

### **7.8 Use of Manual Payroll**

By June, 2014, a total of 133 members of staff were being paid through a manual payroll and not through the IPPD. A total of Kshs.34,527,423.00 was paid to the officers on manual payroll between December 2013 and May 2014.

### **Recommendations**

All the County Executive employees should be paid using the IPPD payroll.

## **8. 0 REVENUE**

### **8.1 Unsurrendered Receipt Books at Ruiru Sub-County**

A Counter Receipt Book Register (CRBR) held at Ruiru Sub-County revealed that several receipt books with a total value of Kshs.8,498,240.00 issued to various revenue clerks had not been surrendered back to the station as at 26<sup>th</sup> June, 2014. Included in the list of the un-surrendered receipt books were 2587 leafs of miscellaneous receipts which had not been denominated.

The dates when the receipt books were issued to the clerks were not disclosed. It was also noted that the revenue clerks were issued with several books contrary to provision of 6.11.4 which requires issuance of "only sufficient books". The receipt books comprised of the following receipts with the listed values: Parking receipts (March) Kshs.2,768,400; Parking receipts Kshs.750,000; omnibus / trucks receipts (200) Kshs.134,000; Motor cycle / bodaboda stickers Kshs.129,200; monthly parking stickers saloon car / pickup Kshs.400,000; monthly parking sticker- Omnibus / trucks Kshs.255,000; monthly parking sticker - 7 seater and below Kshs.300,000; monthly parking sticker - 35 seater Kshs.250,000; monthly parking sticker- 24-34 seater Kshs.210,000; monthly parking 14 seater Kshs.1,050,000; monthly parking sticker- 11 seater Kshs.330,000; Miscellaneous receipts Kshs.30,000; market fees Kshs.1,668,240; and bus park books Kshs.223,000.

### **Recommendations**

- i. Measures should be taken to ensure that used receipts books are surrendered back and the revenue collected vide the books is banked and recorded.

- ii. Only sufficient books should be issued to the revenue collectors. The revenue collectors should not be issued with new receipt books before surrendering the ones previously issued to them.
- iii. Strong internal controls should be put in place to prevent loss of revenue.

### **8.1.1 Lack of Controls on Accountable Documents**

As at the time of audit, the officer charged with the responsibility of receiving and issuing of accountable documents such as receipt books, detail orders, local purchase orders and imprest warrants had opened a counterfoil receipt book register in which the documents received were recorded. However, the issue notes and the dates vide which the accountable documents were received were not disclosed in the register.

The officer to whom the accountable documents were issued, his /her signature, date issued, date the documents were completed was not disclosed in the register.

In view of the findings, the accountable documents issued to various user departments could not be ascertained. In addition, all unsurrendered receipts issued to the user departments could not be ascertained.

### **Recommendations**

The counterfoil receipt book register should be well maintained to clearly reflect the issue notes vide which the accountable documents were received, the officers to whom the documents were issued, the list of all unissued documents and all issued documents especially receipts which have not been surrendered back.

### **8.2 Loss of Revenue at Ruiru Sub-County**

An audit inspection carried out at Ruiru Sub-County revealed that revenue totalling Kshs.817,563 was lost through theft on 5<sup>th</sup> June, 2014. The amount comprised of cash on hand of Kshs.594,714 and cheques worth Kshs.222,849. The theft was reported to the County Secretary, County Executive of Kiambu on 9<sup>th</sup> June, 2014. No police abstract was availed to confirm that the incident was reported to the police and that investigations were being carried out.

### **Recommendations**

- i. All collections should be banked promptly to minimize loss of unbanked revenue.
- ii. The circumstances leading to the loss of revenue should be investigated.

### **8.3 Operation of a Safaricom Paybill Account by Kiambu Sub-County**

The Kiambu Sub-County opened a Safaricom pay bill account in June 5<sup>th</sup> 2014. The paybill number is 927411 registered under Kiambu Sub-County. The County Treasury was not aware of the existence of the Safaricom pay bill number. It was noted that there was no authorization from the County Treasury for opening the paybill account for the Sub-County yet the revenue collected is for services offered by the County Executive of

Kiambu. Between 18<sup>th</sup> and 25<sup>th</sup> June 2014 the pay bill number had collected a total of Kshs.810,798.

Kiambu Sub-County did not provide a statement of the pay bill account they were using to collect revenue. There was no evidence on how the amount collected was transmitted to Kiambu Revenue account.

### **Recommendation**

- i. The County Executive of Kiambu should ensure the money collected in that pay bill account is banked in the County Revenue bank account.
- ii. Opening and operating of bank accounts or revenue collection accounts for the County Executive and its entities should be authorized by the County Treasury.

### **8.4 Unreliable Revenue Reports**

The County revenue section prepares revenue reports detailing the revenue received by the County Executive or on its behalf from the sub counties, hospitals and other entities under the County. During the audit exercise some variances were noted between revenue reports prepared by the County Revenue Section and revenue records maintained at the Sub County level.

### **Recommendation**

The County Treasury should ensure proper records are maintained and reconciliations done to avoid unnecessary variances.

### **9.0 Conclusion**

The anomalies noted during the audit may have had an adverse effect on service delivery by the County Executive. The recommendations given should be implemented to ensure that all funds appropriated are utilized for the intended purpose. This will go a long way in ensuring that service delivery to the people of Kiambu County is enhanced.



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

**Nairobi**

**14 August 2015**