REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STAMENTS OF COUNTY GOVERNMENT OF NAKURU

FOR THE YEAR ENDED 30 JUNE 2015

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OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Nakuru County Government of Nakuru set out on pages 7 to 38, which comprises the statement of 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 for the period 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 misstatements, 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 assessment, the auditor considers internal controls 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

1.0 Revenue /Receipts Analysis

According to the statement of receipts and payments , the County Government received a total of Kshs.9,644,738,420 compared to budget estimate of Kshs.10,178,797,646.81. This was an achievement of about 95%.

Revenue Item	Budgeted (Kshs)	Actual Collection (Kshs)	Variance (Kshs)
Local Revenue	2,103,101,816.00	1,600,420,287.00	502,681,529.00
FIF	652,822,673.00	505,779,098.00	147,043,575.00
Loans And Grants CRA	22,880,000.00	22,880,000.00	-
Conditional C.R.A	317,840,196.81	179,038,452.00	138,801,744.81
C.R.A Equitable Share	7,082,152,961.00	7,220,954,706.00	(138,801,745.00)
Total	**10,178,797,646.81**	**9,644,738,420.00**	**534,059,226.81**

However, the local revenue under performed by Kshs.502,681,529, or 24 % which implies that the County Government could not implement all of its programmes. The under collection of the local revenue was affected by the failure of the County Government to update the valuation roll.

2.0 Under- collection of Flower Cess Revenue

The County Government budgeted to collect a sum of Kshs.51,000,000 from farms within its jurisdiction as Cess during the year. However, only Kshs.8,277,187 was collected, implying an under-collection of Kshs.42,722,813 (or 83.77%). Further, the County Government did not have an updated data base of flower farms within its jurisdiction.

In the circumstance, the County Government may not maximize on revenue collection from that particular source.

3.0 Compensation of Employees

The County Government spent Kshs.4,429,938,345 on employee cost out of the total actual expenditure of Kshs.8,600,306,712 in one year. This expenditure translate to 51.5%) of the total expenditure or 64% of the recurrent expenditure.

Without a staff establishment structure, the County Government may not determine the optimum staffing level to achieve its goals and the wage bill may escalate beyond sustainable levels.

4.0 Car Loan and Mortgage Interest

The Nakuru County Assembly Board entered into an agreement with the Family Bank to manage its car loan and mortgage scheme. In the year under review, the scheme realized an interest of Kshs.9,735,093, out which the County Assembly was to earn a share of 75% (or Kshs.7,301,320) in accordance with clause 6 (b) of the agreement. However, the amount was not disclosed in the statement of receipts and payments. Therefore, the receipts balance of Kshs.9,644,738,420 in the consolidated financial statements was understated by the undisclosed income of Kshs.7,301,320.

5.0 Use of Goods and Services

The County Government spent Kshs.2,412,398,083 on use of goods and services, which was an increase of Kshs.1,126,663,891 (or 88%) above the balance of Kshs.1,285,734,192 in the previous financial year 2013.2014. The notable items whose expenditure increased significantly are as shown below:

Item	2014/2015	2013/2014	Difference (Kshs)	%
Domestic Travel and Subsistence	234,544,006	193,134,220	41,409,786	21
Training Expenses	191,462,085	87,758,624	103,703,461	118
Specialized Materials and Services	458,379,583	77,359,536	381,020,047	493
Other operating expenses	645,883,827	231,107,915	414,775,912	179
Routine maintenance – other assets	186,031,115	1	186,031,115	100

These expenditure items are of recurrent nature and may not yield much economic value to the county. It is advisable that the expenditure on use of goods and services are scaled down to free more funds for development expenditure.

6.0 Acquisition of Assets

The acquisition of assets or development expenditure for the year amounted to Kshs.1,642,008,330 or 19% of the county budget. This was below the threshold given by Section 107 (2) (b) of the PFM Act 2012, which requires a County Government to allocate a minimum of 30% of its budget to development expenditure. Although the management explained that other works had been completed at the close of the financial year, and upon payment, would meet the required threshold of 30%, no evidence of those works was provided for audit confirmation.

Further, the explanatory note 18 on acquisition of assets gives a sum of Kshs.1,210,550,818 which is at variance with the balance of Kshs.1,642,008,330 in the Statement of Rcccipts and Payments by Kshs.431,457,512.

The County Government was therefore in breach of Fiscal Responsibility Principle

7.0. Cash and Cash Equivalent

7.1. Outstanding Imprest

The financial assets balance of Kshs.2,102,684,105 in the statement of assets includes outstanding imprest balance of Kshs.543,318. However, no evidence was provided to specify the imprest holders, the warrant numbers and the date on which the imprest was taken among other details. Further, paragraph 11.1 of this report has indicated that Kshs.7,488,062 as unaccounted for imprest under the Ministry of Trade. The County Government has not established an updated imprest register to consolidate all outstanding imprests in different departments.

In the circumstance, the accuracy of the outstanding imprest reported in the financial statements for the year could not be confirmed.

7.2 Fund Balance

The statement of assets reflected a net financial position of Kshs.2,102,684,105 as at 30 June 2015 and which was tabulated as follows:

Represented By	2014-2015 Kshs	2013-2014 Kshs
Fund Balance b/fwd	2,068,650,570	257,768,288
Surplus/(Deficit) for the year	1,044,431,708	1,810,882,282
Prior year adjustment	(1,010,398,173)	-
Total	**2,102,684,105**	**2,068,650,570**

Although the statement of assets indicated a prior year adjustment of Kshs.1,010,398,173, there was no clarification under the respective note 26 for the adjustment. Further, no journal vouchers were provided to show the nature of the adjustments that were effected. Considering the materiality of the adjustment, it could appear that the figure was inserted to balance the accounts.

In the circumstance therefore, the accuracy of the assets could not be confirmed.

8. Accounts Receivable

The total financial assets balance of Kshs.2,102,684,105 includes Kshs. 543,318 in respect of accounts receivable. However, the county government did not disclose revenue debts totaling to Kshs.3,524,607,252 that it was owed as at 30.6.2015. The details of the debts are as shown below:

Item	Amount (Kshs)
Rates	3,380,123,443
Plot Rent	32,525,812

House Rent	100,813,682
Market stalls rent	5,649,935
Containers	176,500
Kiosks	317,880
Tea Cess	5,000,000
Total	**3,524,607,252**

Therefore, the financial worth of the county government was understated to the extent of the revenue debts totaling to Kshs.3,524,607,252 that was not disclosed. Further, an age analysis of these debts was not provided for audit review. Given that the balance includes debts that were inherited from the defunct local authorities, it is advisable that the county government introduces policies that will enhance its revenue collection.

9.0 Pending Accounts Payable

Annex 1 on pages 33, 34 and 35 of the financial statements provided an analysis of pending accounts payable, totaling to Kshs.2,457,198,628. The balance of Kshs.2,457,198,628 had increased by Kshs.1,168,912,420 (or 91%) from Kshs.1,288,286,208 reported in the financial year 2013/2014 as illustrated below:

Year	Debt Amount (Kshs)	Increase (Kshs)	% increase
2014/2015	2,457,198,628	1,168,912,420	91
2013/2014	1,288,286,208	287,898,554	29
Inherited debt	1,026,871,335		

Therefore the reported pending accounts payable balance do not give an accurate position of the liabilities of the County Government.

10.0 Transfer of Development funds to Recurrent Expenditure

During the year under review, the County Government spent Kshs.83,171,146 to pay salaries and other payroll deductions from the development funds as detailed below:

Date	Ref No	Payee	Details	Amount (Kshs)
3/10/2014	00527	Kenya commercial bank	deduction sept 2014	10,333,977.00
3/10/2014	00528	income tax payee account	deduction sept 2014	66,000,467.00
3/10/2014	00529	income tax payee account	deduction sept 2014	891,283.00
3/10/2014	00530	Faulu Kenya limited	deduction sept 2014	5,945,419.00
Total				**83,171,146.00**

However, it was noted that the county treasury did not seek for authority and approval from the County Assembly as required by the PFM Act No 18 of 2012 section 154 (1).

11.0 Retention Funds

During the year under review, the County Government awarded several contracts and made payments totaling Kshs.1,051,550,818 in respect of development expenditure as tabulated below:

Item	Amount (Kshs)
Constriction of buildings	343,190,917
Refurbishment of buildings	98,771,892
Construction of roads	267,860,447
Overhaul and refurbishment of construction and civil works	28,545,090
Overhaul of vehicles and other transport equipment	-
Purchase of household furniture and institutional equipment	514,750
Purchase of office furniture and general equipment	55,761,984
Purchase of ICT Equipment	101,696,010
Purchase of specialized plant, equipment and machinery	14,192,432
Rehabilitation and renovation of plant Machinery and equipment	37,813,000
Purchase of certified Seeds, Breeding stock and Live animals	22,906,091
Research, studies, project, preparation, design& supervision	80,298,205
Total Payments made	**1,051,550,818**
Total Retention @ 10%	**105,155,081**

For each payment made, the County Government withheld 10% as retention funds. The withheld funds were supposed to be banked in the deposits account and only paid after the expiry of the defect liability period for each contract. Although a deposits account number 1000 238 356 was opened at the Central Bank of Kenya for retention funds, it had a balance of Kshs.2,978,000 as at 30 June 2015. However, it was not clear which contractors were owed this amount since the County Government does not maintain a deposit ledger for contractors whose payments are retained. Under the circumstances, the retention monies can be irregularly paid.

12.0 Ministry of Roads

12.1 Budget Analysis

During the year under review, total of Kshs.1,046,272,881 was approved in the Supplementary budget to undertake development projects under the Ministry of Roads. However, analysis of requisitions (i.e. actual expenditure) on individual projects indicated that only Kshs.473,700,099.78 was spent leading to a variance of Kshs.572,572,781.22. Further, two hundred and eleven (211) projects budgeted at Kshs.518,776,733 were not requisitioned for as analyzed below:

Item	No of projects	Approved Supplementary (Kshs)	Total Requisition (Kshs)	Variance (Kshs)
Projects budgeted and Requisitioned	124	527,496,148.00	473,700,099.8	53,796,048.22
Projects budgeted but not Requisitioned	211	518,776,733.00	-	518,776,733.00
Total	**335**	**1,046,272,881.00**	**473,700,099.78**	**572,572,781.22**

The above trend implies that service delivery to the residents is likely to be adversely affected.

12.2 Executive Roads

During the year under review, the County Government budgeted Kshs.37,000,000 under executive roads. In the months of October and November 2014 Kshs.22,962,550 and Kshs.13,878,629 respectively were requisitioned under executive roads. The chief officer roads and urban development availed only a schedule of executive roads that were undertaken using these funds as shown below:

Activity	Contractor		Amounts (Kshs)
Spot improvement and routine maintenance along Nyando road in shabaab ward Nakuru West	Buildarch images Ltd		3,898,945.00
Grading and Gravelling of junction 104-2k9/1 Rongai	Touch Mark Africa Ltd		2,979,750.00
Site clearing and drainage of UR junction D316 Molo stage kwa Bii A104 Jolly farm	Kenyash Inter-Business Enterprises		664,095.00
Rehabilitation of U.R Junction D 316 Molo-Stage kwa Bii A 104 Jolly farm	Kenyash Inter-Business Enterprises		3,999,956.00
Refurbishment of Nakuru County Headquarters	Euphemia General Supplies		1,527,547.00
Gravelling UR kwa light Njokeriro	Bensaj Investment	Bensaj Investment	1,323,000.00
Gravelling and culvert Installation	George Construction CO ltd		3,762,857.00
Rehabilitation of Munanda Njeru Road	Dakuki Construction co. Ltd	Elementaita	1,739,095.00
Hire of Motor Graders	Seaman Building Engineering		1,840,300.00
Maintenance & spot sports improvement(Nessuit)	Highway Logistics part payment		875,188.00
Carrying out routine maintenance at Haraka-Baraka Road	Midlift General Merchants	Retention	351,817.00
Total			**22,962,550.00**

However, other than this schedule, no other records were availed for audit. Specifically procurement and expenditure records were not made available, despite

the management pledge to do so. It was therefore not possible that the procurement process was transparent.
Under the circumstances, the proprlety of the above expenditure could not be ascertained.

13.0 Ministry of Education

13.1 Abandoned Early Childhood Development Classroom Projects

The County Government awarded contracts to M/s Footprint Construction Co. Ltd of P. O. Box 16101, Nakuru for the construction of twenty one (21) Early Childhood Development (ECD) classrooms. The value of the contract was Kshs.28,320,271.
The county government also awarded contracts to M/s Olkinyoru General Works for the construction of seven (7) ECD classrooms at a cost of Kshs.8,751,360. The classrooms were to be constructed at various wards in the county. These contracts, whose total cost is Kshs.37,071,631 were awarded on 3.3. 2014.
However, the following issues were noted:

- At the time of audit, in January, 2016, the total payments to M/s Footprint Construction Co. Ltd was Kshs.8,568,100, leaving a balance of Kshs.19,752,171. The estimated extent of work done was 50%.

- Physical verification done in January, 2016, and the engineers status report Ref: DR/PW/ECD/VOL.I/125 of 30.10.2015, confirmed that construction had stalled and the contractors were not on site.

- It was not possible to confirm the amount of work done by M/s Olkinyoru General Works since documents relating to their transactions were not provided for audit review.

- It is not clear why the County Government awarded numerous contracts to a single contractor without evaluating their capacity.

Although the management has since issued fresh tenders to other companies for the construction of 7 classrooms, it leaves out 21 others classrooms that remain incomplete, with funds having been sunk. Further, it is not clear how the county government will obtain redress from M/s Footprint Construction Co. Ltd and M/s Olkinyoru General Works.

Under the circumstances, the cost of completing the stalled projects is likely to escalate due to economic and legal reasons.

14.0 Ministry of Health

14.1 Budget Analysis

During the year under review, a total of Kshs.698,939,657 was approved in the Supplementary budget to undertake development projects under the Ministry of Health. However, analysis of requisitions (i.e. actual expenditure) on individual projects indicated that out of the requisitioned amount of Kshs.269,021,192, only Kshs.212,107,581 was spent leading to a variance of Kshs.56,913,611. Further,

funds for ninety six (96) projects that were budgeted at Kshs.429,918,464 were not requisitioned for; see the analysis below:

Item	No of projects	Approved Supplementary (Kshs)	Total Requisition (Kshs)	Variance (Kshs)
Projects budgeted and Requisitioned	56	269,021,192	212,107,581	56,913,611
Projects budgeted but not Requisitioned	96	429,918,464	-	429,918,464
Total	**152**	**698,939,657**	**212,107,581**	**486,832,075**

The above trend implies service delivery to the residents is likely to be adversely affected.

14.2 Conditional Grants Receipts

In the year under audit, the County Government received Kshs.317,840,196 as conditional grant, meant for use at the Nakuru PGH Level 5 Hospital. However, analysis of the bank statement for conditional grants indicated that as at 30.6.2015, only Kshs.179, 038,452 had been remitted to the hospital. Further analysis indicated that Kshs.84,065,178 was remitted after 30.6.2015, bringing total receipts to only Kshs.263,103,630. This gives a variance of Kshs.54,736,566 from the allocation of 2014/2015, which implies that the funds may have been re-allocated and used for purposes that were not intended.

14.3 Unutilised Medical Facilities - Kihingo Maternity Wards

The County Government on 17.6.2014 awarded a contract to M/s Danken Agencies for the construction of Kihingo maternity ward at a cost of Kshs.4,551,121. The contractor had the lowest quotation out of three bidders. The construction commenced on 18.7.2014 when the foundation stone was laid.
Physical verification done in January 2016 revealed that the construction works had been completed. However, sections of the building had cracks and although electrical wiring has been done, there was no power connection to the building. The maternity ward was also not equipped to make it operational. The management explained that there has been lack of funds to equip the facility and employ staff.
In view of this state, the residents are not benefiting from the structures already put up at Kihingo Maternity.

14.4 Lakeview Dispensary – Idle Equipment

The County Government on 12.5.2014 awarded a contract to M/s NU-Tech Construction Ltd for the construction of Lakeview dispensary at a cost of Kshs.9,071,919. The contractor was evaluated from amongst 19 bidders.

Physical verification done in January 2016 revealed that the construction works were completed in early 2015 but the dispensary has not been equipped or furnished. Therefore it has not been put is not in use. The management explained that there has been lack of funds to equip the facility and employ staff.

In view of this state, the residents are not benefiting from the structures put up at Lakeview dispensary.

15.0 Ministry of Environment

15.1 Budget Analysis

During the year under review, a total of Kshs.306,183,976 was approved in the Supplementary budget to undertake 116 development projects under the Ministry of Environment. However, analysis of the requisitions (i.e. actual expenditure) indicated that only Kshs.112,335,270 for 38 projects was requisitioned leading to a variance of Kshs.193,848,706 (or 63%) that was not requisitioned. The balance of Kshs.193,848,706 was for seventy eight (78) projects as analyzed below:

Item	No of project	Approved Supplementary (Kshs)	Total Requisition (Kshs)	Variance (Kshs)
Projects budgeted and Requisitioned	38	112,335,270.00	98,085,132.00	14,250,138.00
Projects budgeted but not Requisitioned	78	193,848,706.00	-	193,848,706.00
Total	**116**	**306,183,976.00**	**98,085,132.00**	**208,098,844.00**

Details of the above analysis are as indicated **Appendix 1.**

There is the risk that projects may not be undertaken in time and that funds may be used for other purposes.

15.2 Unutilized Water Project at Ndungiri Kirima

M/s Jupiter Logistics Ltd was paid Kshs.3,916,240 to supply and lay pipes for the Ndungiri Kirima water project in Kabazi - Subukia..Physical verification done in January, 2016 revealed that the project was completed and handed over to Nakuru Rural Water and Sanitation Company (NARUWASCO). However, no water was flowing in the three (3) water kiosks constructed at various centres at Fagilia, Banita, and Ndungiri Secondary School. No evidence was provided to show that the project was implemented in consultation with NARUWASCO Apparently, the project has not been of benefit to the intended community. Value for money has not therefore been realized.

16.0 Ministry of Agriculture, Livestock and Fisheries

16.1 Budget Analysis

During the year under review, a total of Kshs.130,318,003 was approved in the Supplementary budget to undertake 46 development projects under the Ministry of Agriculture, Livestock and Fisheries. However, analysis of the requisitions (i.e. actual expenditure) indicated that only Kshs.73,111,377.40 for twenty seven (27) projects was requisitioned leading to a variance of Kshs.57,206,625.60 (or 44%) that

was not requisitioned. The balance of Kshs.29,100,000 was for nineteen eight (19) projects as analyzed below:

Item	No of projects	Approved Supplementary Kshs	Total Requisition Kshs	Diff Btn Budget& Requisition Kshs
Projects budgeted and Requisitioned	27	101,218,003.00	73,111,377.40	28,106,625.60
Projects budgeted but not Requisitioned	19	29,100,000.00	-	29,100,000.00
Total	**46**	**130,318,003.00**	**73,111,377.40**	**57,206,625.60**

Details of the above analysis are as indicated **Appendix 1.**

There is the risk that projects may not be undertaken in time and that funds may be used for other purposes.

16.2 Non-utilization of Artificial Insemination Kits

M/s Grebe Enterprises Ltd was paid Kshs.5,497,019 for the supply and distribution of Artificial Insemination (AI) kits to co-operative societies in the 11 Nos. sub-counties within Nakuru County.
Physical verification done in February, 2016 in Rongai, Njoro and Kuresoi sub counties revealed that each of them had received an AI kits. However, the kits had not been put to use, hence defeating the purpose for which they were purchased. The management explained that the kit could only be used by a qualified technician who is recognized by the Kenya Veterinary Board. No evidence has been provided to show that the beneficiaries of the kits have engaged such persons.
Therefore, value may not be realized from the Kshs.5,497,019 spent on the kits.

16.3 Anomalies in Supply and Cultivation of Pyrethrum Crop

The County Government on 2.6.2015, paid Kshs.12,312,000 to M/s High Chem Agriculture Limited for the supply of pyrethrum splits and other services related to development of the crop.
The meeting of the tender committee held on 12.5.2014 vide Minute NO 2/03/2013-2014, noted that M/s High Chem Agriculture Limited was the sole supplier of pyrethrum splits and recommended the award of the tender to the company at their quoted price of Kshs.2.50 per split.

Despite the committee resolving to award the contract at Kshs.2.50 per split, being the market price and also the bid price by M/s High Chem Agriculture Limited, the order was made at Kshs.4.00 per split which is Kshs.1.50 above the quoted price.

The expenditure of Kshs.12,312,000 was incurred as follows:

Description	Acres	Amount (Kshs)
Working of Land	10 acres per the 8 sub counties	3,400,000.00
Supervision and inputs	5 acres per the 8 sub counties	936,000.00
Supervision and inputs	5 acres per the 8 sub counties	936,000.00
Splits	22,000 splits per acre each @ Kshs.4.00 for 80 acres	7,040,000.00
Total		**12,312,000.00**

The acreage within the eight sub counties on which the splits were to be planted were as follows:

Sub County	No Acres
Njoro	18
Bahati	10
Gigil	10
Molo	6
Subukia	10
Kuresoi North	6
Kuresoi South	10
Naivasha	10
Total	**80**

From the above analysis it implies that Splits were purchased at Kshs.4.00 each instead of the bid price of Kshs.2.50 each hence an over-payment of Kshs1.50*22,000*80 = Kshs.2,640,000.

Further, except for Kuresoi south sub county, the other seven (7) sub counties did not submit their returns regarding the crop development. The management explained that the distribution of pyrethrum splits from the bulking plots at the sub-county level has been delayed due to bad weather.

Physical verification revealed that none of the splits planted in the 18 acres planted in Njoro Sub County survived.

17.0 Public Service Board

17.1 Over-employment of Administrators

The County Public Service Board (CPSB) in a meeting held on 18.3.2015, approved the recruitment of 80 ward administrators. In another meeting held on 16.4. 2015, the CPSB approved the appointment of 10 Deputy Sub-County Administrators and 10 more ward administrators. Therefore, in addition to previous approvals, the County Government recruited a total of 90 ward administrators and 22 Deputy Sub-County Administrators. However, given that Nakuru County has 55 wards, it would require only 55 ward administrators. Also, with 11 sub-counties, it requires a similar number of Deputy Sub-County Administrators.

Further, no evidence was provided to show that the extra appointments of 35 ward administrators and 11 Deputy Sub-County Administrators were requested for by

either the chief officers or the clerk of the County Assembly as provided by section 63(2) (a) (b) of the County Government Act No 17 of 2012 which stipulates that the powers of the CPSB shall be exercised at the request of the county chief officer of a relevant department or the clerk of the County Assembly. Therefore, the County Government might have recruited persons whose services it does not require.

17.2 Overpayment of Remuneration for Public Service Board Members

An examination of the appointment letters of the five members of the County Public Service Board (CPSB) and the Secretary to the Board revealed anomalies in the emoluments remunerations that they draw. For instance, the entry point of the Secretary of the CPSB was overpaid by Kshs.7,353 i.e. 172,442 *less*165,089. Further, the five members of the Board, the chairman and the secretary each receive monthly mileage allowance of Kshs.20,000 contrary to the Salaries and Remuneration Commission (SRC) circulars Ref. No SRC/TS/CGOVT/3/61 of 13.6.2013 and SRC/TS/CGOVT/3/61(84) of 31.7.2014 which outline the remuneration/allowances payable to CPSB members.

A computation of the overpayment amounted to Kshs.3,123,982 in the period 2013/2014 and 2014/2105 as summarized below:

Name	2013/14 (Kshs)	2014/15 (Kshs)	Total (Kshs)
Waithanji Mutiti	80,000	88,750	**168,750**
James Kuria Mbugua	289,353	257,353	**546,706**
Richard Tutah	265,305	250,000	**515,305**
Francisca Kamuren	265,305	250,000	**515,305**
Peter Mbae Kibe	256,400	250,000	**506,400**
Monica Cherutich Namunyak	256,400	250,000	**506,400**
Peter Muriithi Mwarania	100,000	265,116	**365,116**
Total			**3,123,982**

Besides drawing overpaid salaries, the gratuity payable at the expiry of the contract periods is likely to be overstated. .

17.3 Non-payment of Office Rent

On 5 March, 2014, the County Government of Nakuru entered into an agreement with a firm, Sabatia Investment Ltd for the lease of office space at Giddo Plaza on Nakuru Municipality Block 6/125. The space, measuring 10,152 square feet, was to be occupied by the County Public Service Board (CPSB) at a monthly rent of Kshs. 761,400 for a period of 5 years and three months, with effect from 13 November 2013. However, it was noted that there was no evidence that a competitive bidding process was used to identify the office lessor. Further, the county government took possession of the premises on 3.4.2014, resulting in an unwarranted rental obligation of Kshs.3,553,200 since the lease period was backdated to 13.11.2013.
As at 30.6.2015, the accumulated rent payable was Kshs.17,311,190. However, there was no evidence that any amount has been paid in rent since the CPSB moved into the premises. At the time of audit, in January, 2016, the CPSB had been

evicted by the landlord and the offices closed for non-payment of rent. Therefore, there is a possibility that legal action may be taken against the County Government.

17.4 Hire of Casual Workers

The County Government paid wages to casual workers amounting to Kshs.43,338,049 during the period 2014/2015; see **Appendix 2**. However, there was no evidence that the County Public Service Board (CPSB) or a person given delegated authority by CPSB was involved in the process of hiring the casual workers as provided under section 74 of the County Government Act 2012.
Therefore, there is a possibility that engagement of casuals may be done arbitrarily.

18.0 Ministry of Trade

18.1 Unaccounted for Imprest

At the time of audit in January, 2016, the staff of the Ministry of Trade had outstanding imprest amounting to Kshs.7,488,062. The imprest amounts had been held beyond reasonable time and were overdue for surrender. For instance, a case was noted where an imprest of Kshs.2,600,000 was taken on 30.10.2014 to facilitate the formulation of the alcohol bill but had not been accounted for. Other cases were also noted of officers who were issued with imprest before they accounted for the previous ones; see **Appendix 3.** Further, the office did not maintain a register for imprest holders. There is a possibility that the funds were not utilized for official purpose.

19.0 Ministry of Land

19.1 Irregularities in Contract for Preparation of Valuation Roll

The County Government on 29.5.2015, awarded SEC & M Co Ltd of P. O. Box 3711-00100 Nairobi, a contract to prepare a valuation roll for the plots in the county. The cost of the contract was Kshs.50,591,400. The firm was identified out of 19 Nos. bidders who expressed interest following an advertisement in the Daily Nation newspaper of 8.12.2014. However, no minutes have been provided to show that the financial proposals of the bidders were opened publicly as stipulated in paragraph 2.8.2 of the request for proposals (RFP).

The contract commenced on 29.5.2015 and was to be completed five months later on 29.10.2015. At the time of audit in February, 2016, the contractor had not completed the compilation of the valuation roll despite the expiry of the contract period and having been paid Kshs.22,906,091 as shown below:

Date	G-pay No	Details	Amount (Kshs)
19.6.2015	01348	Land Valuation	15,177,420
19.6.2015	01349	Land Valuation	7,728,671
Total			**22,606,091**

Due to the delay in obtaining the valuation roll, the County Government is not likely to benefit from the data that should be available for its use.

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

22 September 2016