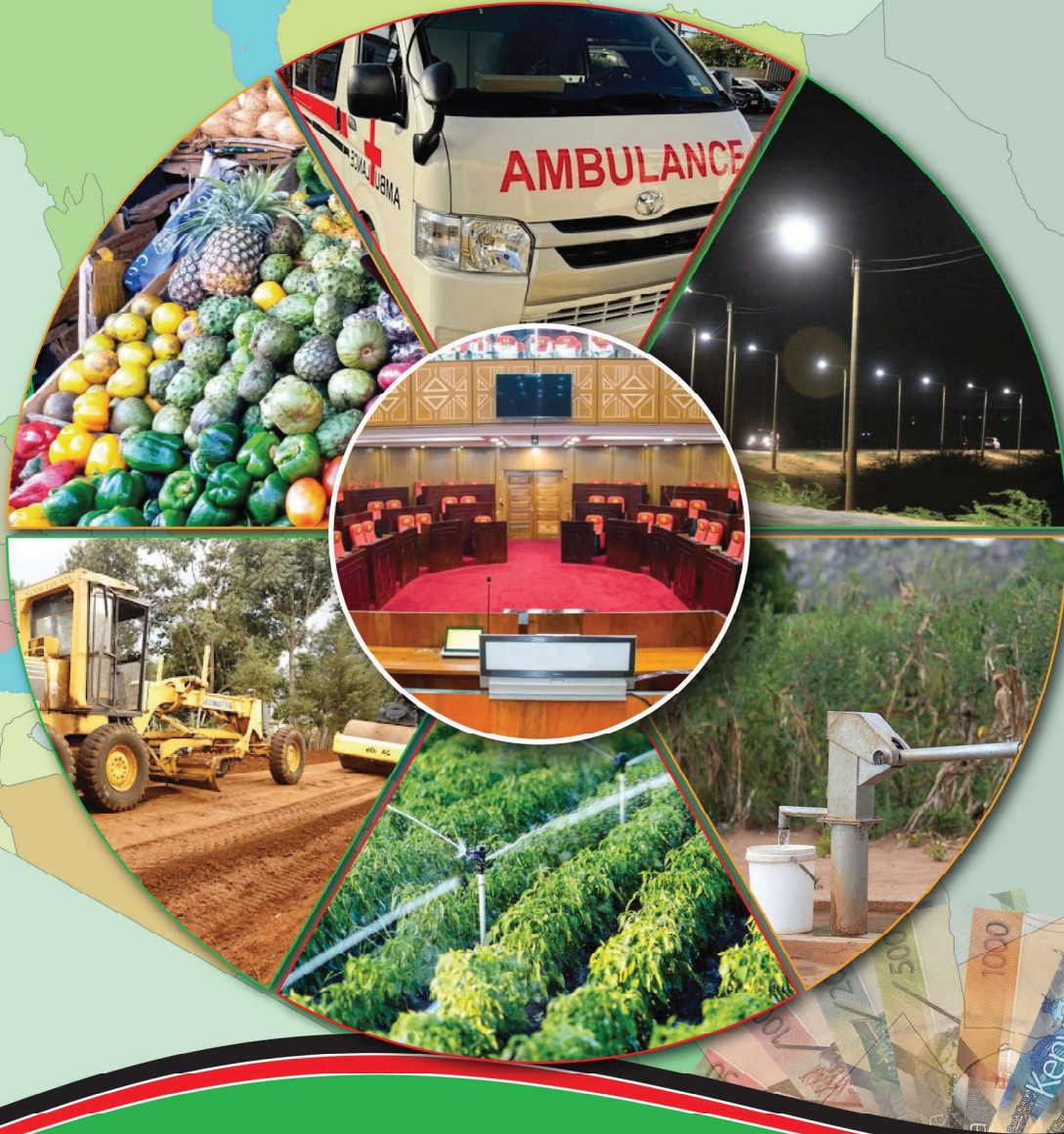


COUNTY EXECUTIVES



AUDITOR-GENERAL'S REPORT ON THE COUNTY GOVERNMENTS COUNTY EXECUTIVES 2023-2024

VOLUME 1



VISION

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REPORT

OF

THE AUDITOR-GENERAL

ON

THE COUNTY GOVERNMENTS

FOR

THE YEAR 2023/2024

VOLUME 1 – COUNTY EXECUTIVES

COUNTY EXECUTIVE OF NAKURU – NO.32

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

637. Undisclosed Decrease in Retention Money

The statement of cash flows reflects Nil balance in respect of increase/(decrease) in deposits and retentions. However, Note 18 to the financial statements reflects a decrease in deposits and retentions amount of Kshs.104,985,718 resulting to a variance of Kshs.104,985,718 not disclosed in the statement of cash flows.

In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

638. Inaccuracies in the Compensation of Employees

The statement of receipts and payments reflects compensation of employees amount of Kshs.6,447,452,070 as disclosed in Note 3 to the financial statements. Review of the supporting ledgers revealed that some of the expenditure components had variances as detailed in the table below;

Item	Amount as per Financial Statements (Kshs)	Amount as per Ledger (Kshs)	Variance (Kshs)
Basic Salaries of Permanent Employees	3,122,265,279	2,676,346,465	(445,918,813)
Basic Wages of Temporary Employees	272,009,423	454,835,176	182,825,752
Personal Allowances Paid as Part of Salary	2,363,511,258	2,606,793,708	243,282,450
Pension and Other Social Security Contributions	403,017,635	390,572,243	(12,445,392)
Other Personnel Payments	84,385,129	115,073,979	30,688,850

In the circumstances, the accuracy and completeness of the compensation of employees amount of Kshs.6,447,452,070 for the year ending 30 June, 2024 could not be confirmed.

639. Irregularities in the Use of Goods and Services

639.1 Unsupported Expenditure on Domestic Travel and Subsistence

The statement of receipts and payments reflects use of goods and services amount of Kshs.3,575,821,135 which includes a balance of Kshs.366,827,400 which was incurred on domestic travel and subsistence as disclosed in Note 4 to the financial statements. The latter amount includes an expenditure of Kshs.19,566,952 in relation to trainings which were not supported by a comprehensive training needs assessment. This was contrary to Human Resource Policies and Procedures Manual for the Public

Service May, 2016. Further, it was not clear how the officers were nominated for the respective trainings without evidence of training projections based on the training needs assessment.

639.2 Unsupported Training Expenses

Included in the use of goods and services amount of Kshs.3,575,821,135 is an amount of Kshs.93,316,938 incurred on training expenses. However, the training expenses were not based on a training policy, training needs assessment plan, departmental skills inventory records and course approvals. The criteria of selection of personnel to attend various trainings could not be established, training bonding of employees may not have been adhered to and trainings may have been attended but without much value for money being realized.

In the circumstances, the accuracy and value for money for the goods and services expenses of Kshs.93,316,938 could not be confirmed.

640. Misclassification of Expenditure

640.1 Misclassification of Foreign Travel and Subsistence Expenditure

The statement of receipts and payments reflects use of goods amount of Kshs.3,575,821,135 which includes an expenditure of Kshs.22,495,691 incurred on foreign travel and subsistence as disclosed in Note 4 to the financial statements. Included in the latter amount is an expenditure of Kshs.5,885,363 in relation to domestic travel and subsistence that was wrongly classified.

640.2 Misclassification of Routine Maintenance-Other Assets Expenditure

The expenditure on use of goods and services of Kshs.3,575,821,135 includes routine maintenance-other assets amount of Kshs.114,431,122 as disclosed in Note 4 to financial statements. However, included in the expenditure of Kshs.109,574,525 were payments amounting to Kshs.15,967,213 which were not related to repairs and maintenance.

640.3 Misclassification Purchase of Office Furniture and General Equipment Expenses

The statement of receipts and payments reflects acquisition of assets amount of Kshs.2,838,415,500 as disclosed in Note 9 to the financial statements. Included in the amount is a balance of Kshs.38,690,262 relating to purchase of office furniture and general equipment. However, the latter amount includes a balance of Kshs.25,771,536 which was in respect of expenditure items that were misclassified.

640.4 Unconfirmed Cash and Bank Balances

The statement of assets and liabilities as disclosed in Note 13A to the financial statements reflects total bank balance of Kshs.3,940,844,221 in respect of twenty-eight (28) bank accounts maintained by the County Executive at various banks. However, the cashbooks provided for audit reflected a total balance of Kshs.3,601,335,556 resulting in an unexplained variance of Kshs.339,508,665. In addition, review of the bank reconciliation statements provided disclosed bank charges of Kshs.19,390 that had not been recorded in the cashbooks as at 30 June, 2024.

Review of the bank reconciliation statement for one of the recurrent account held at CBK revealed that there were five (5) stale cheques amounting to Kshs.1,125,461

which remained outstanding as at 30 June, 2024. Management did not provide an explanation why the cheques had not been reversed in the cash book.

640.5 Inaccuracies In the Summary of Non-Current Assets Register

Annex 6 to the financial statements on summary of fixed assets register reflected a balance of Kshs.21,727,931,008 in respect of various assets held by the County Executive. However, the following anomalies were observed;

- i. The asset registers and the non-current assets register summary at Annex 6 to the financial statements revealed variances in respect of fixed assets as detailed in the table below;

Item	Historical Cost c/f as per the Summary of Non- Current Assets Register (Kshs)	Acquisition Amount as per Assets Registers (Kshs)	Variances (Kshs)
Motor vehicles	1,250,108,134	1,310,375,770	(60,267,635)
Land	312,841,059	5,133,836,248	(4,820,995,189)
Transfers in(out) during the year- Motor vehicle write offs	(25,413,306)	(26,499,791)	1,086,485

- ii. The additions amount of Kshs.2,2,838,415,500 during the year includes ICT equipment balance of Kshs.67,202,985 that was not reflected in Note 9 to the financial statements on acquisition of assets.
- iii. Review of the land register provided for audit revealed that four hundred and ninety (490) parcels of land did not have any historical value indicated against them and it was therefore not possible to determine the total historical value of land held by the County Executive.
- iv. Review of the non-current assets registers provided for audit revealed that the registers were not updated as required by Regulation 136 of the Public Finance Management (County Governments) Regulations, 2015. The registers lacked key information including identification or serial numbers, acquisition date, description of asset, location, class, cost of acquisition for some of the assets, land reference/certificate number, ownership details as per ownership documents, asset condition and ownership documents held. It was observed that several assets were not tagged.

In the circumstances, the accuracy, completeness, and ownership of inaccuracies in the financial statements could not be confirmed.

641. Voided Transactions

Review of the County Executive's system payments revealed that five hundred and seventy (570) transactions amounting to Kshs.308,061,121 were voided during the financial year 2023/2024. However, Management did not provide the supporting approvals and justification for the voided transactions amounting to Kshs.308,061,121.

In the circumstances, regularity of the voided transactions amounting to Kshs.308,061,121 could not be confirmed.

642. Unsupported Legal Fees

The statement of receipts and payments reflects use of goods and services amounting to Kshs.3,575,821,135 as disclosed in Note 4 to the financial statements. Review of legal records provided revealed that the County Executive made payments of Kshs.22,643,700 in respect of legal fees to six (6) law firms. Documentation such as how the law firms were identified, signed service level agreements, certificates of appointment, evidence of court attendance, fee notes and monthly performance reports from each law firm in respect of each case were not provided for audit.

Further, despite the County Executive having recruited its own County Attorney, the private law firms were engaged to represent the County Executive in court cases without approvals by the County Executive Committee contrary to Section 16(1) of the Office of the County Attorney Act, 2020. There was also no approval or authority by the Attorney General contrary to directives issued by the Attorney General vide the Circular Ref. No. AG/CONF/6/D/144 Vol.XI dated 03 November, 2020.

In the circumstances, accuracy and completeness of the expenditure of legal fees amounting to Kshs.22,643,700 could not be confirmed.

Emphasis of Matter

643. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.23,310,531,513 and Kshs.16,362,575,304 respectively, resulting in under-funding of Kshs.6,947,956,209 or 30% of the budget. However, the County Executive spent an amount of Kshs.15,661,259,832 against actual receipts of Kshs.16,362,575,304, resulting in an under-performance of Kshs.701,315,472 or 4% of the receipts.

The under-funding affected the planned activities and may have impacted negatively on service delivery to the public.

644. Authenticity of Pending Bills

Note 1,2 and 3 of the financial statements on other important disclosures reflects pending accounts payables, pending staff payables and other pending payables balance of Kshs.1,441,352,540, Kshs.28,535,088 and Kshs.8,873,766 respectively all totalling to Kshs1,478,761,394 as at 30 June, 2024. Included in the pending accounts payables for the year are bills relating to 2022/2023 and prior years with some dating as way back as 2011/2012 financial year and which have remained outstanding since then. This was contrary to Regulation 150(1) of the Public Procurement and Assets Disposal Regulations, 2020. Further, the County Executive did not have a Pending Bills Committee contrary to the Inter-Governmental Budget and Economic Council (IBEC) circular of 18 June, 2019 that require all Counties to establish County Pending Bills Committee. Therefore, there was no proper mechanism in place for verifying the eligibility or otherwise of the disclosed bills of Kshs.1,478,761,394.

My opinion is not modified in respect of these matters.

Other Matter

645. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management indicated that some of the issues raised had not been resolved and no explanation was provided for this unsatisfactory situation.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

646. Project Implementation

Review of project implementation status revealed that out of the one thousand, seven hundred and twenty-one (1,721) projects featured in the report;

- i. Seventeen (17) projects with a total contract cost of Kshs.66,297,783.50 were incomplete and at different stages of execution. The projects had extended beyond the expected dates of completion. Management did not provide any documentary evidence to support the extension of contract period or explaining the delays in completion.
- ii. Twenty-six (26) projects with a total contract price of Kshs.56,189,717 had stalled at different stages with different explanations being given for each. Management did not provide for audit the strategies on the way forward or any action taken on the contractors for failure to execute the projects to completion.
- iii. Kshs.95,521,099 meant for twenty-one (21) projects during the financial year 2023/2024 were reallocated to other budget items. There was no explanation or documentary evidence or approvals provided by Management to support the reallocations. This was contrary to Section 154 of the Public Finance Management Act, 2012 which limits the power of an accounting officer to reallocate appropriated funds and Regulation 47(5) of the Public Finance Management (County Government) Regulations, 2012 which requires that such reallocations be approved by the accounting officer of the entity.
- iv. Five hundred and sixty-five (565) projects started in several accounting years with a total contract price of Kshs.7,497,850,588 were still ongoing and at different levels of execution. The projects were already past their expected completion dates. No valid explanations or documentary evidence in form of project extensions or addendums were provided for audit verification explaining the delays in completions. Management did not also provide evidence of action taken against the contractors for delayed completion of projects.
- v. Twenty-four (24) projects with a total contract cost of Kshs.59,317,164 awarded during the financial year 2023/2024 were yet to commence. Management did not offer any explanations as to why the projects were yet to commence.

In the circumstances, there was no value for money and timely realization of benefits accruing from budget allocations.

647. Failure to Disclose Contingent Liabilities

Review of legal records provided revealed that several legal cases filed in court against the County Executive were decreed in the interest of the claimants and amounted to Kshs.154,906,998 out of which Kshs.66,472,548 had been paid leaving a balance of Kshs.88,434,450. However, the County Executive did not disclose the contingent liability of potential court awards in the financial statements over the years. This was despite having knowledge that there were numerous cases in court against the County Executive which may have a financial implication in the future.

In the circumstances, value for money on the payment of court decrees amounting to Kshs.66,472,548 could not be confirmed.

648. Delay in the Construction of Treasury Headquarters

The contract period for the project lapsed on 1 December, 2022 and was renewed up to 04 October, 2024. This extension that was the final one had also lapsed. Further, the Architects were paid an amount of Kshs.54,189,963 for structural and architectural plan (designs) consultancy services. However, the designs had not been approved by National Construction Authority and the Physical Planning Department.

In the circumstances, value for money already spent on the project could not be confirmed.

649. Acquisition of Land by the Department of Lands

The Department purchased four (4) parcels of land during the year under review for different projects within the county. The following anomalies were noted;

- i. The Department acquired 4.17 acres of land for an amount of Kshs.6,490,000 out of which an amount of Kshs.4,490,000 was paid during the year under review for construction of an ECD Centre at Mbombo in Elementaita Ward Gilgil Sub County. However, evidence of official search and consent from the Lands Control Board was not provided for audit. Further, partial payment amounting to Kshs.4,490,000 was done on 28 June, 2024 even though the sale agreement was executed on 3 February, 2021. It was not clear why the payment was done several years after the sale agreement was signed.
- ii. The Department acquired 0.43 Ha of land for Kshs.2,000,000 for road opening in Githengera St. John Community Gilgil. However, as at the time of audit there was no evidence that consent to sell had been granted by the land control board and search documents were incomplete. Transfer of interest in land was not fully executed.
- iii. The Department acquired two pieces of land for an amount of Kshs.2,000,000 each for St. John water. However, as at the time of audit there was no evidence that consent to sell had been granted by the land control board and search documents were incomplete. Transfers of interest in land were not fully executed.
- iv. The Department acquired land in Elburgon Township at an amount of Kshs.5,000,000 out of which Kshs.1,000,000 was paid during the financial year under review, for construction of Kasarani Health Centre in Elburgon Ward. However, as at the time of audit there was no evidence that consent to sell had

been granted by the land control board. Further, transfer of interest of land or proof of transfer of ownership were not provided for audit even though full payment had been made.

In the circumstances, value for money for the payments already done could not be confirmed.

650. Project Verification - Department of Water and Irrigation

The Department of Water and Irrigation awarded tenders to various contractors to supply pipes and fittings and drill boreholes totalling Kshs.84,457,359. Physical inspection of projects revealed that project sign posts were missing, pipe marks where the pipes were laid were not installed and there was no water connections and distributions at the piping ends. Hence the objective of providing water to the residents were not achieved.

In the circumstances, value for money of the expenditure incurred on the projects could not be confirmed.

651. Implementation of Contracts – Department of Youth, Gender, Sports and Social Services

The Department of Youth, Gender, Sports and Social Services undertook procurement for various works with a total contract amount of Kshs.25,429,026. Audit of the project revealed various anomalies which included; projects paid full amount without practical certificate of completion and handover certificates, projects extended beyond contract period with no approval, incomplete projects that had the contract sums fully paid with no ownership documents and one project with significant time lapse between issuance of the Local Purchase Order and signing of the contract agreement. Further, the same project renovations were not supported by pre-inspection reports and certificates of practical completion and handover. Management did not provide any explanation for the anomalies.

In the circumstances, value for money of the expenditure incurred on the contracts could not be confirmed.

652. Delay in Implementation of Projects

652.1 Menengai and Kiamaina Water Project

A contractor was contracted for the purchase and supply of water pipes at a contract sum of Kshs.5,703,650 to Menengai and Kiamaina water projects. However, the records provided for audit did not include delivery notes, counter receipt vouchers, inspection and acceptance committee report and distribution of items to the two sites.

Further, physical inspection carried out on 02 October, 2024 revealed that the supplies were issued to the community for implementation of the project without any accountability mechanism being put in place by the Accounting Officer. In addition, the supplies were stored in nearby public secondary schools' classrooms and private residences without any security arrangements thereby exposing them to damage, theft and/or misappropriation. In addition, the project site was not clearly defined and pipe way leaves had not been acquired thereby compromising the project execution and objective.

652.2 Rapland Water Project

A contract was awarded at a cost of Kshs.9,570,162 for the purchase and supply of water pipes to Rapland water project at the County headquarters. However, physical inspection carried out on 02 October, 2024 revealed that the supplies were delivered to Naivasha Water and Sanitation Co. Ltd. for implementation of the project without any accountability mechanism being put in place by the Accounting Officer. Further, the goods delivered at Naivasha Water and Sanitation Co. Ltd. were not supported by counter receipt vouchers and stores records. In addition, the supplies were lying at the company's compound. The project site was not defined and pipe way leaves had not been acquired thereby delaying the project execution and objective. The County Executive lacked clear project objectives and guidelines for accountability of materials being delivered.

In the circumstances, the County Executive and the public may not obtain value for money from the purchase and supply of water pipes at a total cost of Kshs.15,273,812.

653. Lack of Feasibility Study for the Construction of County Aggregation and Industrial Park (CAIP)

The County Executive through the Department Trade transferred an amount of Kshs.250,000,000 from the development account to Nakuru County Aggregation and Industrial Park account held at a local bank for construction of Nakuru County Aggregation and Industrial Park.

The contract for the construction of Nakuru County Aggregation and Industrial Park was awarded in the financial year 2023/2024 with a contract sum of Kshs.464,221,150 and was equally funded by the County Executive and the National Government. It was however not clear how the location of the industrial park was identified because feasibility study reports were not provided for audit. Further, it was also not possible to confirm ownership of the piece of land as ownership documents were not provided for audit.

In the circumstances, the public may not obtain value for money for the transferred amount of Kshs.250,000,000.

654. Failure to Utilize Completed Projects

Physical inspection of the projects under the Department of Health carried out on 08 October, 2024 revealed that four (4) projects totalling Kshs.30,217,614 were complete and certificates of practical completion issued.

However, the projects were not in use due to non-equipping in three (3) of the facilities and non-installation of generators in one of the facilities. Further, one of the project prime cost on project management and expenses amounting to Kshs.190,000 was not supported

In the circumstances, value for money on the amount of Kshs.30,217,614 spent on the projects could not be confirmed.

655. Irregular Procurement of Drugs and Medical Supplies

Review of the IFMIS payment details for the year under review revealed that the Department of Health procured medical drugs worth Kshs.114,697,212, out of which an amount of Kshs.51,609,662 was procured from other various suppliers leaving a balance of Kshs.63,087,550 that was rightfully procured from Kenya Medical Supplies Authority (KEMSA). This was contrary to Section 4(1)(c) and (e) of the Kenya Medical Supplies Authority Act, 2013 which states that the functions of the Authority shall be to - enter into partnership with or establish frameworks with County Governments for purposes of providing services in procurement, warehousing, distribution of drugs and medical supplies; and support county governments to establish and maintain appropriate supply chain systems for drugs and medical supplies.

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

656. Proposed Construction of Outpatient Block at Njoro Level 4 Hospital

The County Executive contracted a tender for the proposed construction of outpatient and inpatient block at Njoro Level 4 Hospital at a contract sum of Kshs.147,538,940. However, the contract period was not specified in the contract agreement. The total amount paid to the contractor as at 30 June, 2024 was Kshs.120,121,170.

During the year under review, payment certificate number 6 amounting to Kshs.10,563,816 was paid for works done as per the bills of quantities provided. Physical inspection of the project carried out on 08 October, 2024 however revealed that payment certificates was not supported by way of inspection and acceptance reports on the work done as per the certificates and joint measurement of works to quantify the works done. In addition, the verification revealed that the workmanship was poor as there were visible wear and tear on some finished walls and doors and that the contractor was not on site despite the project still ongoing.

In the circumstances, the public may not obtain value for money on the expenditure of Kshs.10,563,816 during the year.

657. Irregular Payment of Salaries Outside the Integrated Payroll and Personnel Database (IPPD)

Review of the Integrated Payroll and Personnel Database (IPPD) payroll for June, 2024 revealed that salaries amounting to Kshs.1,067,250 made to thirteen (13) officers outside the IPPD system. This was contrary to Treasury Circular No.13/2019 of 28 August, 2019. Monthly payroll reconciliation may not have been done in time hence omitting some names from the payroll.

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

658. Non-Compliance with Law on Recruitment of Staff Living with Disabilities

Review of the Human Resource Integrated Payroll and Personnel Database (IPPD) Compliment data as at 30 June, 2024 revealed that out of the five thousand, three hundred and sixty-five (5,365) employees, eighty-five (85) were public officers living with disability or 2% of the total staff. This was contrary to Article 54 (2) of the

Constitution of Kenya and Section B.23 (1) and (2) of the Human Resource Policies and Procedures Manual for the Public Service, May, 2016.

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

659. Irregular Engagement of Casuals

Review of the Integrated Financial Management Information System (IFMIS) payment details for the year under review revealed payments amounting to Kshs.2,151,819 paid to twenty (20) casuals for a period exceeding three months during the year under review. Further, the various departments within the County Executive maintained casuals without the required approvals from the County Public Service Board (CPSB).

This was contrary to Section 37(1)(b) of the Employment Act, 2007 which stipulates that casual employment should be converted to term contract where a casual employee performs work which cannot reasonably be expected to be completed within a period, or a number of working days amounting in the aggregate to the equivalent of three months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly.

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

660. Non-Compliance with National Cohesion and Integration Act, 2008

Review of the human resource Integrated Payroll and Personnel Database (IPPD) Compliment data as at 30 June, 2024 revealed that the County Executive had Five thousand, three hundred and sixty-five (5,365) employees out of which two thousand, five hundred and forty-nine (2,549) or 48% were from dominant ethnic community in the County. Further it was observed that three thousand, nine hundred and seventeen (3,917) staff or 73% of the work force were from the two dominant communities in the County. This was contrary to the provisions of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008.

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

661. Payroll Deductions in Excess of Two-thirds of Basic Pay

Review of the Integrated Payroll and Personnel Data base (IPPD) payroll revealed that a total of one thousand, one hundred and eighty (1,180) officers earned net pay lower than a third of their basic salary during various months in the financial year.

Further, it was observed that fifteen (15) officers continuously had deductions in excess of two-thirds of their basic pay for the entire financial period. This was contrary to Section 19(3) of the Employment Act, 2007.

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

662. Irregular Operation of Accounts in Commercial Banks

Review of cash and bank records revealed that the County Executive operated fifteen (15) accounts with commercial banks instead of the Central Bank of Kenya. This was contrary to Regulation 82(1)(b) of the Public Finance Management (County Governments) Regulations, 2015.

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

663. Retention of Employees Beyond the Mandatory Retirement Age

Review of the Integrated Payroll and Personnel Data base (IPPD) revealed that seventy-seven (77) officers who drew salaries totalling Kshs.36,165,612 during the financial year under review were still in service despite attaining the mandatory retirement age of sixty (60) years. This was contrary to Section D.21 of the Human Resource Policies and Procedures Manual for the Public Service May, 2016.

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

664. Assets Without Ownership Documents

Review of the land registers provided for audit revealed that the entity did not have ownership documents inform of title deeds for nine hundred and ninety-six (996) parcels of land of undetermined value and indicated to be owned by the County Executive. No explanation was provided on why the County Executive lacked title deeds for the parcels of land. Further, review of the motor vehicles register revealed that the register failed to indicate whether the entity had logbooks for the four hundred and forty-five (445) motor vehicles it held.

In addition, the original map of Njoro Central DEB Primary School indicated the school was originally occupying 1.75ha of land or approximately 4.32 acres. Currently the school sits on 1.35 acres as per the allotment letter dated 10 June, 1997. However, the allotment has been contested by the local community in Court and the judgement yet to be delivered. Illegal settlers have encroached on a section of the school which has jeopardized the existence of the School resulting to lack of a playing ground and future development space. Physical inspection of school projects within Nakuru County on 08 October, 2024 revealed that ten (10) schools did not have land title deeds at the time of the audit.

In the circumstances, the ownership of the land and motor vehicles indicated in the asset registers and being used by Nakuru County Schools could not be confirmed.

665. Supply, Installation and Commissioning of the Revenue Management System

The County Executive entered into an agreement with a supplier on 01 December, 2020 for the Supply, Installation, Configuration and Commissioning of the Integrated Revenue Collection Management System at a contract sum of Kshs.34,510,000. According to the terms of reference (TORs) the vendor was to ensure that the County Executive was maximizing the revenue but there had been no much improvement in the revenue collection since its installation. Further, Clause 3.1.2 of the contract agreement states that upon completion of the supply, the client shall pay 4.3% of the total revenue processed and collected through the system on a monthly basis.

During the year under review, the supplier of the system had been paid a total of Kshs.57,739,727 being 4.3% of the total revenue collected during the year under review. However, Management did not demonstrate that the County Executive's revenue collection had improved significantly from the previous year's collections as

was envisaged in the TORs of the contract yet the Consultant was being paid a fee of 4.3% on total revenue collected on a monthly basis.

In the circumstances, value for money for the expenditure of Kshs.57,739,727 spent on the system could not be confirmed.

666. Construction of High-Altitude Training Facility Keringet Sports Center

The County Executive, through the Department of Youth, Gender and Sports, contracted to a local contractor the construction of a high-altitude training facility in Keringet ward. The contract was signed on 10 February, 2021 and the contract sum was agreed at an amount of Kshs.121,997,573. Further, the contract period was from 10 February, 2021 for a period of forty-two (42) weeks from the date of contract and was to end on 10 October, 2021. However, the title deed for the procured land and the performance bond for the project was not provided for audit.

Review of records revealed that payments amounting to Kshs.96,087,948 or 78% of the contract sum had been made as at 30 June, 2024. The amount includes Kshs.17,057,176 paid during the year under review for certificate No. 8. However, physical verification of the works revealed that the main contractor had not completed the works thirty (30) months after the expected completion date and was not on site. In addition, there was no evidence provided that the contract period had been extended.

Another contractor was contracted at a contract cost of Kshs.18,431,860 for mechanical works and borehole drilling at the Keringet Sports Center. The contract start date was 22 May, 2023 and was expected to end on 22 November, 2023. However, physical inspection of the project revealed that the borehole had been drilled but there were incomplete works as detailed below:

- (i) Equipping and water treatment had not been done.
- (ii) Plumbing and drainage works for abolition block at a cost Kshs.1,680,730 had not been done; and
- (iii) External water reticulation and lawn irrigation works at a cost Kshs.3,364,500 were outstanding.

Another contractor was contracted for construction of two dormitories, kitchen, dining area and a shed at a contract sum of Kshs.16,999,852 at Keringet Sports Center. The contract was signed on 23 February, 2021 and the contract completion date had been agreed to be 23 May, 2024. However, physical inspection of the project revealed that the works were all incomplete and the contractor was not on site despite the contract period having lapsed.

In the circumstances, value for money on the expenditure incurred on the project and the expected service delivery to the public could not be confirmed.

667. Failure to Establish Departmental Training Committees

Management did not establish departmental training committees which may have negatively impacted the efficient management of the training function of the County Executive. This was contrary to Paragraph I.2 (1) of the County Public Service Human Resource Manual, 2013 that requires the County to establish Departmental Training Committees to manage the training function.

In the circumstances, Management was in breach of the Regulations and the County Executive's policies.

668. Compensation of Employees Beyond the Set Threshold

The compensation of employees amounts of Kshs.6,447,452,070 was equivalent to 39% of the County Executive's total revenue of Kshs.16,362,575,304 which exceeded the prescribed limit of 35%. This was contrary to Regulation 25 (1) (a) and (b) of the Public Finance Management (County Governments) Regulations, 2015.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

669. Lack of a Fraud Policy

The County Executive did not have in place a Fraud Management Policy to assist in detecting and preventing fraud during the year under review. It was therefore not possible for Management to put any measures that could assist in detection and prevention of fraud contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations 2015.

In the circumstances, the effectiveness of internal controls in relation to the detection and prevention of fraud in the County Executive could not be confirmed.

670. Non-Establishment of an Audit Committee

The County Executive did not establish an Audit Committee responsible for monitoring the County's governance process, accountability process and control systems, follow up on the implementation of the recommendations of internal and external audit. In addition, the Head of Internal Audit reports directly to the Accounting Officer hence the operational independence of the Internal Audit Unit could not be guaranteed. This was contrary to Section 155 (5) of the Public Finance Management Act, 2012.

In the circumstances, Management was in breach of the law and the effectiveness of assessment of internal controls, risk management and governance could not be confirmed.

671. Lack of Risk and Disaster Management Policy

Management of the County Executive did not establish a Risk and Disaster Management Policy; strategies and a Risk Register to mitigate against risk. This was in contravention of Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, there was risk that Management may not identify possible risk areas and mitigate against them which may lead to subsequent loss of funds by the County Executive.

672. Non-Compliance with Climate Change Regulations

The Nakuru Climate Change Act, 2021 provided for establishing of County Climate Change Steering Committee and County Climate Change Planning Committee. However, the composition of the approved committees chaired by the Governor were not provided for audit. Further, there were no reports on sectoral greenhouse gas emissions for the national inventory submitted by the County Executive. The County Executive had not designated a unit with sufficient staff and financial resources, along with appointing a senior officer to coordinate the mainstreaming of the climate change action plan and other climate change statutory functions into sectoral strategies. In addition, there were no mechanisms implemented by the County Executive to regularly monitor and review the performance of integrated climate change.

The County Executive did not have annual reports submitted to the Council, detailing the status and progress of performance and implementation of all assigned climate change duties and functions. Therefore, it was not possible to establish that public participation and consultations were done when developing strategies, laws, and policies relating to climate change.

In the circumstances, climate change regulations have not been properly integrated into the County Executive's action plans.

673. Lack of an Inventory Management System for the Health Stores

Review of the store records from the Pharmacy Department at the Nakuru County Referral and Teaching Hospital on 08 October, 2024 revealed that drugs amounting to Kshs.1,799,849 that had since expired during the year under review were still in the stores. It was observed that the Department had failed to develop proper internal controls to monitor the stock levels and nature of stores as envisaged under Regulation 158(1)(b) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, the efficiency and economy in the management of the medical drugs could not be confirmed.

674. Closure of Nakuru War Memorial Hospital

Nakuru War Memorial Hospital which is a Level 4 Hospital has remained closed and idle since the expiry of the lease due to ownership wrangles between the County Executive and War Memorial Hospital Management as the subject of a Court case as which is ongoing. The hospital also hosts Nakuru Provincial General Hospital Annex and State House Landing field/helipad. The Nakuru War Memorial Hospital has various installations, equipment, buildings and other assets which are worth millions of shillings and which the National and County Governments had invested in over the years. These assets risk becoming obsolete or unserviceable or being lost or misused due to the many years of being idle.

In the circumstances, the existence of an effective mechanism to safeguard public assets could not be confirmed.