

Republic of Kenya



COUNTY COUNCIL OF NAKURU  
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# Kenya National Audit Office

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REPORT

OF

THE CONTROLLER  
AND AUDITOR-GENERAL

ON

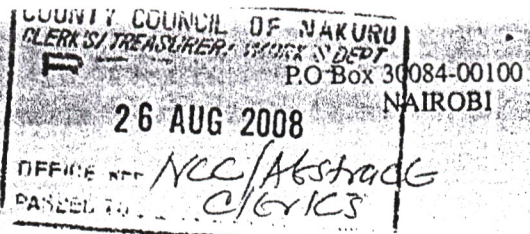
THE ABSTRACTS OF  
ACCOUNTS OF THE COUNTY  
COUNCIL OF NAKURU

FOR THE  
YEAR ENDED  
30 JUNE 2004

*Paper tabled by the  
Hon. Xiny Haji MP  
on behalf of the  
Deputy PM and Minister  
for Finance on 3/3/10*

*CIT  
JWA  
29/8/08  
[Signature]*

*Notes  
Aded  
5/9/08*



## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ABSTRACTS OF ACCOUNTS OF THE COUNTY COUNCIL OF NAKURU FOR THE YEAR ENDED 30 JUNE 2004

The attached Abstracts of Accounts of the County Council of Nakuru for the year ended 30 June 2004 have been audited under my direction in accordance with the provisions of Section 23 of the Public Audit Act, 2003.

#### 1.0 Respective Responsibilities of the Council and the Controller and Auditor General

The Council is responsible for the preparation of Abstracts of Accounts which give a true and fair view of the state of financial affairs of the Council and its operating results. My responsibility is to express an independent opinion on the financial statements based on the audit.

#### 2.0 Basis of Opinion

The audit was conducted in accordance with the International Standards on Auditing. Those Standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the Council as well as evaluating the overall financial statements' presentation. I believe the audit provides a reasonable basis for the opinion.

#### 3.0 Qualification Points

##### 3.1 Non Submission, Opening Balances, Format and Accuracy of the Accounts

- (i) As previously reported, the Abstracts of Accounts for a period of twenty six (26) years from 1971 to 1995/1996 have not prepared and

- presented for audit as required by Section 229 (1) of the Local Government Act, Cap 265. The Council is therefore still in breach of the law. Consequently, the opening balances as at 1 July, 1996 and for all the subsequent years, including 2003/2004, could not be confirmed.
- (ii) The Council used the Simplified Accounting Systems (SAS) format in preparing its Abstracts of Accounts. However, the format had not been approved by the Minister for Local Government as required by Section 229 (2) of the Local Government Act, Cap 265. The Council was therefore in breach of the law.
  - (iii) The 2003/2004 Accounts were not signed. Further, the Accounts did not include GRF and LATF Balance Sheets and Change Statements for Authority Equity, Capital Discharged and Fund Balances as required. Amended Accounts were not also submitted as required. The comparative amount for motor vehicles and plant of Kshs.35,744,250.00 differed from the 2002/2003 audited figure of Kshs.35,844,250.00 by an unexplained difference of Kshs.100,000.00.

In view of the above issues, the accuracy and completeness of the 2003/2004 Accounts could not be confirmed.

### **3.2 Fixed Assets**

The Fixed Assets balances decreased by Kshs.4,570,571.85 from Kshs.63,373,248.10 as at 30 June 2003 to Kshs.58,802,676.25 as at 30 June 2004. However, the Council did not maintain a Fixed Assets Register (FAR). The Council did not also maintain a capital ledger to record its capital projects indicating dates of construction, description and their location. Further, ownership documents for land and valuation reports for the assets were not made available for audit. As indicated in note 1.3.6 to the Accounts, provision for depreciation was not made in the Accounts in line with the SAS provision. The Fixed Assets included the value of three (3) vehicles and a ZA Trailer worth Kshs.2,604,000.00. However, their logbooks were not made available for audit review. In addition, inventory sheets were not produced to support the existence of furniture, fittings, equipment and tools reflected in the Accounts as at 30 June 2004.

In the circumstances, it was not possible to confirm the existence, security, ownership, valuation, location and accuracy of the Fixed Assets balance as at 30 June 2004.

### **3.3 Renewals Funds**

Section 219(1) of the Local Government Act, Cap 265 requires the Council to create adequate Renewals Funds to provide for the entire or partial replacement of some or all of its assets, which, owing to depreciation or other cause, will require at some future date to be replaced. However, no renewals funds were created and set aside during the year as required. The Council was therefore in breach of the law. It is not also clear how the Council intends to finance the replacement of its fixed assets, in future, in the absence of renewals funds.

### **3.4 Loans Outstanding**

The Loans Outstanding balances decreased from Kshs.4,484,938.15 as at 30 June 2003 to Kshs.3,884,938.15 as at 30 June 2004. However, information made available for audit indicated that loans from National Housing Corporation (NHC) and the Local Government Loans Authority (LGLA) stood at Kshs.11,683,618.00 and Kshs.4,700,677.00 respectively both totalling Kshs.16,384,295.00. The difference of Kshs.12,499,357.00 between the two sets of records has not been explained or reconciled. The loans which were indicated as having been given for the construction of offices and chambers, market and residential houses did not also have complete records showing the principal amounts, year received, repayments and interests. In the circumstances, the accuracy of the Loans Outstanding balance of Kshs.3,884,938.15 as at 30 June, 2004 could not be confirmed.

### **3.5 Cash and Cash Equivalents**

The Cash and Cash Equivalents balances increased by Kshs.16,418,292.05 from Kshs.(1,882,512.45) as at 30 June 2003 to Kshs.14,535,779.60 as at 30 June 2004. However, the main cash book was rarely written and balanced on daily basis. Further, monthly bank reconciliation statements were not prepared as required. In addition, a board of survey report to confirm the cash in hand and bank balances confirmation certificates were not made available for audit review. Under the circumstances, the Cash and Cash Equivalents amount of Kshs.14,535,779.60 as at 30 June 2004 could not be confirmed.

### **3.6 Debtors and Prepayments**

The Debtors and Prepayments balances increased by Kshs.129,230,306.25 from Kshs.286,304,796.90 as at 30 June 2003 to Kshs.415,535,103.15 as at 30 June 2004. The major Debtors comprised outstanding plot rents, property rates, imprests, contribution in lieu of rates, salaries advances, stale and returned cheques as indicated in note 5 to the Accounts. However, no debtors' control ledgers, individual schedules and refer to drawer cheques register were maintained. Further, no provision for bad and doubtful debts was made in the Accounts. In the circumstances, the accuracy of the Debtors and Prepayments balance as at 30 June 2004 could not be confirmed.

### **3.7 Budget and Budgetary Control**

During the year, the Council did not adhere to its approved estimates. The Council realized under-collection of revenue of Kshs.19,605,780.00 or 31.7% of the approved budgeted revenue of Kshs.61,722,047.00. It also incurred over-expenditure of Kshs.48,504,264.80 or 151.7% of the approved budgeted expenditure of Kshs.31,965,605.00 without Ministerial approval. The Council was, therefore, in breach of the law.

### **3.8 Non Response to Audit Queries and Draft Report**

The 2003/2004 Abstracts of Accounts were audited and material issues raised with the Council for comments through a letter dated 24 November 2005. Further, a draft audit report which the Controller and Auditor General intended to issue on the Council's Abstracts of Accounts for the year was forwarded to the Council through a letter dated 8 December 2006 for comments. No responses have been received to date. It was therefore not possible to determine what action may have been taken or is being taken to redress the issues raised.

### **4.0 Opinion**

In view of the reservations set out at paragraphs 3.1 to 3.8 above, I am unable to express an opinion in accordance with Section 24(2) of the Public Audit Act, 2003 that:

- (i) All the information and explanations required for the purpose of the audit were received;
- (ii) The Accounts have been properly maintained and are in order;

- (iii) The Consolidated Balance Sheet gives a true and fair view of the financial position of the Council as at 30 June 2004;
- (iv) The Summary of Revenue Accounts gives a true and fair view of the income and expenditure of the Council for the year ended 30 June 2004; and
- (v) The Accounts comply with the Local Government Act, Cap 265.

  
**P. N. KOMORA, CBS**  
**CONTROLLER AND AUDITOR GENERAL**

Nairobi

12 August 2008

