

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF NANDI FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of the County Executive of Nandi set out on pages 1 to 20, which comprise the statement of assets as at 30 June 2017, the statements of receipts and payments, statement of cash flows, statement of comparison of budget and actual amounts for the year then ended and summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

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

In addition, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate evidence to confirm that public money has been applied lawfully and in an effective way.

Basis for Disclaimer of Opinion

1.0 Presentation of Financial Statements

The financial statements of the County Executive of Nandi for 2016/2017 submitted for audit revealed the following anomalies:

- (i) Note numbers 3,4,9,11,12,15 and 17 assigned on the face of the financial statements do not agree with those appearing in the notes to the financial statements.
- (ii) The financial statements availed for audit review did not contain significant accounting policies in line with the format issued by the Public Sector Accounting Standards Board (PSASB) as required by section 194(1)(d) of the Public Finance Management Act, 2015.
- (iii) Budget execution by programs and sub programs were not included in the notes to the financial statements in line with the format issued by the Public Sector Accounting Standards Board (PSASB) as required by section 194(1)(d) of the Public Finance Management Act, 2015.
- (iv) Progress on follow up of the Auditor's recommendations were not included in the financial statements contrary to the requirement of Public Sector Accounting Standards Board (PSASB)

- (v) Note 12A to the Financial Statement did not indicate the name of the commercial bank where bank accounts are maintained.

Note 12A includes Nandi County Education Fund Account No 490268594510 at Equity Bank and Nandi County Mortgage Account No 1245328786600 at Cooperative Bank which should be reflected in the financial statements of the respective funds as required by section 116 of the PFM Act, 2015. In the circumstances, the financial statements availed for audit review did not comply with the requirements of the IPSAS reporting framework issued by the Public Sector Accounting Standards Board.

2.0 Inaccuracies in the Financial Statements

2.1 Variances between Financial Statements balances and Supporting Schedules

The Financial Statements for the year ended 30 June 2017 reflects balances of Kshs.3,435,994,359 which are at variance with the supporting schedules figure of Kshs.3,309,674,240 resulting to a difference of Kshs.126,320,119 as detailed below:

	Financial Statements figure	supporting schedules figures	Variance
Item	Kshs	Kshs	Kshs
Compensation of employees	1,889,451,174	1,731,770,258	157,680,916
Purchase of ICT Equipment	13,452,485	16,149,895	(2,697,410)
Purchase of Specialized Plant, Equipment and Machinery	114,826,686	132,251,896	(17,425,210)
Medical and Hospital supplies	1,441,184	4,462,184	(3,021,000)
Purchase of Certified Seeds, Breeding Stock and Live Animals	23,009,810	23,260,000	(250,190)
Water Works(Projects)	427,548,300	427,279,290	269,010
Acquisition of Strategic Stocks and Commodities	27,066,504	18,370,000	8,696,504
Construction of roads	674,453,069	696,601,427	(22,148,358)
Construction of roads (RMLF)	57,673,700	58,896,836	(1,223,136)
Overhaul and refurbishment of construction and civil works	186,737,295	191,973,319	(5,236,024)
Legal Services	2,278,334	2,037,075	241,259
Transfer from other government agencies	18,055,818	6,622,060	11,433,758
Total	3,435,994,359	3,309,674,240	126,320,119

Consequently, the accuracy and completeness of the expenses amounting to Kshs.3,435,994,359 included in these financial statements for the year ended 30 June 2017 could not be confirmed.

2.2 Summary Statement of Appropriation

The summary statement of appropriation: recurrent and development combined reflects total final receipts budget figure of Kshs.5,842,719,186 against total payments final budget of Kshs.6,903,322,687 resulting to unexplained or unexplained variance of Kshs.1,060,603,501. Further, the summary statement of appropriation: recurrent and development combined total receipts final budget figure of Kshs.5,842,719,186 is at variance with the approved budget figure of Kshs.6,184,133,839 indicated in the Appropriation Act, 2016 comprising of recurrent budget of Kshs.3,776,924,794 development budget figure of Kshs.2,407,209,045 also resulting in unexplained variance of Kshs.719,188,748.

Consequently, the accuracy and completeness of the summary statement of appropriation for the year ended 30 June 2017 could not be confirmed

3.0 Receipts from Kiborgok Tea Farm

Included in the county own generated receipts of Kshs.244,729,757 reflected in note 4 to the financial statements were receipts totaling to Kshs.13,837,953 collected from Kiborgok Tea Farm. However, management did not maintain separate accounts for the farm and relies on records of the estate agent.

Further, records of tea growing activities including labour use, yield harvesting, fertilizer application, pruning, pests and disease control, were not kept contrary with section 11(iv) of the management and supply of Greenleaf agreement.

In addition, ownership documents for the farm were not provided for audit review. Consequently, the accuracy and completeness of the receipts of Kshs.13,837,953 collected from Kiborgok Tea Farm could be confirmed.

4.0 Compensation of Employees

Included in the compensation of employees expenditure figure of Kshs.1,889,451,174 is an amount of Kshs.23,002,240 incurred for service gratuity for the County Executive employees. However, documents in support of an amount of Kshs.21,439,890 out of the total expenditure of Kshs.23,002,240 were not availed for audit review. Consequently, the accuracy and propriety of compensation of employees expenditure figure of Kshs.21,439,890 for the year ended 30 June 2017 could not be confirmed.

5.0 Use of Goods and Services

5.1 Domestic Travel and Subsistence

Included in the use of goods and services figure of Kshs.1,020,637,542 reflected in the statement of receipts and payments is an amount of Kshs.323,390,175 in respect of domestic travel and subsistence out of which expenditure amounting to Kshs.43,086,827

was not supported by relevant documents such motor vehicle work tickets, boarding passes, check ins, imprest warrants, attendance registers, reports and invoices.

Under the circumstances, the validity and propriety of the expenditure of Kshs.43,086,827 expended on domestic travel and subsistence for the year ended 30 June 30 2017 could not be confirmed.

5.2 Fuel, Oil and Lubricants

Included in the use of goods and services expenditure of Kshs.1,020,637,542 reflected in the statement of receipts and payments is an expenditure of Kshs.53,250,004 incurred on fuel, oil and lubricants. However, supporting documents such as detailed orders, fuel register, statement from the supplier and periodic reconciliations between fuel register and supplier statements for expenditure amounting Kshs.28,800,564 were not availed for audit review. Consequently, the accuracy and completeness of the expenditure of Kshs.28,800,564 incurred on fuel, oil and lubricants for the year ended 30 June 2017 could not be confirmed.

5.3 Hospital Supplies

Included in the use of goods and services expenditure of Kshs.1,020,637,542 reflected in the statement of receipts and payments is an amount of Kshs.218,424,927.85 for hospital supplies out of which expenditure amounting to Kshs.85,475,763.40 was not supported with payment vouchers, user requisitions, copy of advertisements, tender minutes, certificates of inspection and acceptance committee and evidence of how the medical supplies were distributed to sub county hospitals and utilized. Consequently, the propriety of hospital supplies expenditure of Kshs.Kshs.85,475,763.40 for the year ended 30 June 2017 could not be confirmed.

5.4 Routine Maintenance-Vehicles and Other Transport Equipment

Included in the use of goods and services figure of Kshs.1,020,637,542 reflected in the statement of receipts and payments is an amount of Kshs.76,221,263.65 in respect of routine maintenance-vehicles and other transport equipment out of which, expenditure amounting to Kshs.22,605,310 was not supported by relevant documents such as engineer estimates, work tickets, quotations, evaluation and award minutes, inspection and acceptance reports.

In the circumstances, the propriety of expenditure of Kshs.22,605,310 on routine maintenance-vehicles and other transport equipment for the year ended 30 June 2017 could be confirmed.

6.0 Acquisition of Assets

6.1 Construction of Buildings

Included in the acquisition of assets expenditure of Kshs.1,866,542,529 reflected in the statement of receipts and payments is an amount of Kshs.253,622,405 for Construction of Buildings out of which supporting documents such as payment vouchers, user requisitions, copy of advertisement, tender processing minutes, contract agreements, tender opening registers, letters of award, certificates of inspection and acceptance and

certificates of completion for expenditure amounting to Kshs.99,958,093 were not availed for audit review. In the circumstances, the propriety of the expenditure of Kshs.99,958,093 on construction of buildings for the year ended 30 June 2017 could not be confirmed.

6.2 Construction of Roads

Included also in the acquisition of assets expenditure of Kshs.1,866,542,529 reflected in the statement of receipts and payments for the year ended 30 June 2017 is an amount of Kshs.674,453,068.50 in respect of construction of roads. However, supporting documents in form of payment vouchers, user requisitions, copy of advertisement, tender processing minutes, contract agreements, tender opening registers, letters of award, certificates of inspection and acceptance and certificates of completion for expenditure amounting to Kshs.86,365,298.50 were not availed for audit review. In the circumstances propriety of the expenditure of Kshs.86,365,298.50 on construction of roads for the year ended 30 June 2017 could not be confirmed.

6.3 Overhaul and Refurbishment of Construction and Civil Works

Included in the acquisition of assets expenditure of Kshs.1,866,542,529 reflected in the statement of receipts and payments for the year ended 30 June 2017 is an amount of Kshs.186,737,295 in respect of overhaul and refurbishment of construction and civil works out of which, expenditure amounting Kshs.113,915,385.37 was not supported by payment vouchers, user requisitions, copy of advertisements, tender, evaluation and award minutes, certificates of inspection and acceptance committee and contract agreements. Consequently, the propriety of expenditure of Kshs.113,915,385.37 on overhaul and refurbishment of construction and civil works for the year ended 30 June 2017 could not be confirmed.

6.4 Purchase of ICT Equipment

Included in the acquisition of assets expenditure of Kshs.1,866,542,529 reflected in the statement of receipts and payments for the year ended 30 June 2017 is an amount of Kshs.13,452,484.50 in respect of purchase of ICT equipment. However, documents such as payment vouchers, user requisitions, copy of advertisement, tender processing minutes, contract agreements, letters of award and certificates of inspection and acceptance for expenditure of Kshs.10,284,350 out of the total figure of Kshs.13,452,484.50 were not availed for audit verification.

Under the circumstances, the propriety of the expenditure of Kshs.10,284,350 on purchase of ICT equipment for the year ended 30 June 2017 could not be confirmed.

6.5 Purchase of Specialized Plant, Equipment and Machinery

The statement of receipts and payments for the year ended 30 June 2017 reflects acquisition of assets expenditure of Kshs.1,866,542,529 which includes an amount of Kshs.114,826,685.55 in respect of purchase of specialized plant, equipment and machinery out of which an amount of Kshs.91,255,496 was not supported by relevant documents such as copy of advertisement, opening, evaluation and award minutes, invoices, delivery notes, inspection and acceptance certificates.

Under the circumstances, the propriety of the purchase of specialized plant, equipment and machinery expenditure of Kshs.91,255,496 for the year ended 30 June 2017 could not be confirmed.

6.6 Medical and Hospital supplies

The statement of receipts and payments for the year ended 30 June 2017 reflects acquisition of assets figure of Kshs.1,866,542,529 which includes an amount of Kshs.1,441,184 in respect of medical and hospital supplies. However, available information revealed that the expenditure of Kshs.1,441,184 excludes an amount of Kshs.3,021,000 paid to a local company for medical and hospital supplies hence understating the total expenditure in respect of medical and hospital supplies. Further, expenditure Kshs.1,441,184 was not supported by payment vouchers, user requisitions, LPO's, invoices and tender minutes and certificates of inspection and acceptance committee contrary to Section 104 of the Public Finance Management Regulations, 2015.

Consequently, accuracy, validity and completeness of the medical and hospital supplies expenditure of Kshs.4,462,184 for the year ended 30 June 2017 could not be confirmed.

6.7 Purchase of Certified Seeds, Breeding Stock and Live Animals

Included in the acquisition of assets expenditure of Kshs.1,866,542,529 reflected in the statement of receipts and payments for the year ended 30 June 2017 is an amount of Kshs.23,009,810.20 in respect of purchase of certified seeds, breeding stock and live animals. However, documents such as payment vouchers, procurement records and other relevant records in support of the expenditure of Kshs.8,525,000 were not availed for audit verification.

As a result, the propriety of expenditure of Kshs.8,525,000 for the year ended 30 June 2017 on the purchase of Certified Seeds, Breeding Stock and Live Animals could not be confirmed.

6.8 Water Works (Projects)

The statement of receipts and payments for the year ended 30 June 2017 reflects acquisition of assets expenditure of Kshs.1,866,542,529 and which includes an amount of Kshs.427,548,299.95 in respect of water works (Projects). However, relevant documents in support of expenditure of Kshs.94,431,206 out of the total expenditure of Kshs.427,548,299.95 in respect of water works were not availed for audit verification.

Under the circumstances, propriety of water works expenditure of Kshs.94,431,206 incurred on water works could not be confirmed.

6.9 Acquisition of Strategic Stocks

Included in the acquisition of assets balance of Kshs.1,866,542,529 reflected in the statement of receipts and payments is an amount of Kshs.27,066,504.30 in respect of acquisition of strategic stocks. However, procurement documents such as quotation, evaluation and award minutes, contract agreements, suppliers invoice and delivery notes

and inspection and acceptance reports in support of expenditure of Kshs.5,170,000 were not availed for audit verification.

Consequently, propriety of expenditure of Kshs.5,170,000 on acquisition of strategic stocks could not be confirmed.

7.0 Construction of Kipchoge Stadium

Included in the acquisition of assets expenditure of Kshs.1,866,542,529 is the construction of buildings expenditure of Kshs.253,622,406.95, which included an amount of Kshs.58,066,705.25 paid to a Construction Company in respect of the construction of phase two of Kipchoge Stadium in Kapsabet town at a contract sum of Kshs.95,469,450.

The project was scheduled to take sixty (60) weeks to completion effective from 25 May, 2016. However, supporting documents such as payments voucher, professional opinion of the head of the procurement unit, copy of advertisement, evaluation and award minutes, interim certificates, inspection and acceptance committee report for the project were not availed for audit review.

In addition field inspection of the project revealed that electrical works and external works at the VIP Pavilion indicated in the bill of quantities at a cost of Kshs.5,000,000 and Kshs.2,530,000 respectively had not been done.

Under the circumstances, the propriety of expenditure of Kshs.58,066,705.25 incurred on the construction of the stadium for the year ended 30 June 2017 could not be confirmed.

8.0 Stalled Construction of Governor's Office

The County Government entered into a contract with a construction Company on 17 December 2013 to construct the Governor's Office at a cost of Kshs.103,383,420. Available information revealed that there was variation of the contract price of Kshs.21,191,200, being 20.5% of the original contract price to accommodate an additional floor. Further, information revealed that the contractor has been paid a total of Kshs.97,685,287 so far. However, a field inspection of the project in January 2018 revealed that the project had stalled and the contractor was not on site. Further, approval of the price variation order and the tender committee adjudication minutes were not provided for audit review.

Consequently, the objective of the project has not been achieved and the county government has not obtained value for money for the expenditure of Kshs.97,685,287 incurred on the project.

9.0 Cash and Cash Equivalent

9.1 Recurrent and Development Bank accounts

Included in the bank balance of Kshs.785,083,559 reflected in the statement of financial assets as disclosed in note 21A Nandi County Recurrent Account figure of Kshs.4,068,057 which is at variance with the reconciled cash book balance of Kshs.25,024,164 resulting to unreconciled or explained difference of Kshs.20,956,107. The balance of Kshs.785,083,559 further includes Nandi County Developments Bank

Account balance of Kshs.1,161,351.00 which is also at variance with the reconciled cash book amount of Kshs.153,175,839.45(CR) again resulting also to unexplained or reconciled variance of Kshs.152,014,488.50.

In addition, the balance of Kshs.785,083,559 includes a balance of Kshs.13,000,000 for County Education fund and Kshs.12,900,000 Car loan and Mortgage fund accounts. It is not clear and management has not provided reasons for inclusion of these balances in the bank balance instead of reflecting the balances in the respective statements of the respective fund accounts. Further, separate financial statements for the two fund accounts were not submitted for audit review contrary to section 116 of the PFM Act, 2015.

Under the circumstances, the accuracy and completeness of the bank balance of Kshs.785,083,559 for cash and cash equivalents reflected in the statement of financial assets.

9.2 Overdrawn Cash Book

Examination of the development cash book revealed that the cash book had an overdrawn balance of Kshs.153,175,559 contrary to Section 82(7) and (8) of the public Finance Management Act, 2015 which states that no official county government bank account shall be overdrawn, nor shall any advance or loan be obtained from a bank account for official purposes beyond the limit authorized by the County Treasury in line with section 119 (4) of the Act. Consequently, the management is in breach of the law.

9.3 Bank Accounts not Disclosed in the Financial Statements

Note 21A to the Financial Statements reflects Kshs.785,083,559 for bank balance held in eight (8) bank accounts. However, available information revealed that the County Executive operated fifteen (15) other bank accounts which were not disclosed in these balance as at 30 June 2017 as indicated below:

No.	Name of Bank account	Account number	Name of the bank
1	Nandi County	7040003061	Housing Finance
2	Nandi County	1924813402	Housing Finance
3	Nandi County	1924813403	Housing Finance
4	Nandi County	1102287954	Kenya Commercial Bank
5	Nandi County	1140835378	Kenya Commercial Bank
6	Nandi County	1142092143	Kenya Commercial Bank
7	Nandi County	1142117375	Kenya Commercial Bank
8	Nandi County	1142293688	Kenya Commercial Bank
9	Nandi County	1151706965	Kenya Commercial Bank
10	Nandi County	1151707015	Kenya Commercial Bank
11	Nandi County	1151707090	Kenya Commercial Bank
12	Nandi County	1179476972	Kenya Commercial Bank
13	Nandi County Deposit	1000242043	Central Bank Of Kenya
14	Nandi County Special Purpose	1000336471	Central Bank Of Kenya

15	M-pesa Revenue Collection	299299	Safaricom Kenya
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Further, cash books, certificates of bank balances, bank reconciliation statements and board of survey reports for these bank accounts were not availed for audit verification. Under the circumstances, the accuracy and completeness of the bank balance of Kshs.785,083,559 as at 30 June 2017 could not be confirmed.

9.4 Failure to submit Financial Statements for County Education Fund and Car Loan and Mortgage Fund

Included in the bank balance of Kshs.785,083,559 reflected in the statement of financial assets as disclosed in note 21A are balances of Kshs.13,000,000 for County Education Fund and Kshs.12,900,000 for Car loan and Mortgage Fund account. However, the financial statements for the fund accounts were not submitted to the Auditor-General for audit review contrary to section 116(7)(a) of the Public Finance Management Act, 2012 which requires that the administrator of the county public fund to prepare and submit financial statements not later than three months after the end of each financial year for audit review.

Consequently, the County Executive was in breach of the law.

10 Pending Accounts Payable

10.1 Accounts Payable as at 30 June 2017

Note 26.1 to the financial statements reflects total pending accounts payable figure of Kshs.664,609,044 as at 30 June 2017 which is at variance with the supporting schedule balance of Kshs.717,953,746.80 resulting to unexplained or unreconciled difference of Kshs.53,344,701.

Further, included in the balance of Kshs.664,609,044 for pending accounts payable is an amount of Kshs.2,850,000 for the supplier who had been paid in May 2017, and therefore overstating the pending accounts payable balance by Kshs.2,850,000 as at 30 June 2017.

In addition, pending bills totaling Kshs.63,537,352 in relation to construction of buildings, renovation works and supply of drugs were excluded from the accounts payable balance of Kshs.664,609,044 as at 30 June 2017.

Also, ageing analysis of pending accounts payable was not availed for audit review and thus, it was not possible to ascertain for how long the accounts payable had been outstanding.

In addition, out of the total pending accounts payables, an amount of Kshs.121,970,399 was not supported with documents such as, local purchase orders, local service orders, and certificates of completion, invoices and delivery notes.

Consequently, the validity, accuracy and completeness of the pending accounts payable balance Kshs.664,609,044 reflected in the notes to the financial statements could not be confirmed.

10.2 Accumulation of Pending Accounts Payable

Note 26.1 to the financial statements reflects total pending accounts payable balance of Kshs.664,609,044 which the County Executive had accumulated as at 30 June 2017 contrary to the Treasury Circular ref: AG 3/101/75 which requires accounting officers to establish effective financial controls and maintain financial discipline in order to achieve efficient utilization of resources and ensure adherence to financial regulations and procedures and curb accumulation of pending bills.

Consequently, the County Executive is in breach of the law.

11.0 Failure to maintain a Fixed Assets Register

The summary of fixed assets register in annex 4 to the financial statements reflects a figure of Kshs.3,009,087,718 for fixed assets of the County Executive as at 30 June 2017. However, as reported in the previous year, a fixed assets register was not availed for audit verification contrary to section 136 of the Public Finance Management Regulations, 2015 which requires that, the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

Further, the balance of Kshs.1,866,542,529 reflected in the statement of receipts and payments for acquisition of assets is at variance with Kshs.1,080,500,211 for additions of fixed assets during the year under review as indicated in annex 4 resulting to unexplained or reconciled difference of Kshs.786,042,318. Consequently, the accuracy of the acquisition of assets figure of Kshs.1,866,542,529 for the year ended 30 June 2017 could not be confirmed.

12.0 Failure to Observe one third (1/3) Rule for Staff Establishment

A review of personnel records availed for audit review indicated that, as at 30 June 2017, the county Executive of Nandi had a total of 1,600 employees in its payroll and 85% of whom were from one dominant community contrary to section sec.65 (1) (e) of the County Government Act, 2012. The Act, requires that, in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least thirty per cent (30%) of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community. Consequently, the County Executive is therefore in breach of the County Government Act, 2012 on staff establishment as a means of promoting national unity.

13.0 Lack of Approved Staff Establishment

Available information revealed that management prepared and forwarded a proposed organization structure to the County Assembly in February, 2016 for approval but the Assembly has not approved the same.

Further, management did not forward the organization structure to the Public Service Board for approval as required in section 3.1(b) and (e) of the Public Service Commission Guidelines on the design of organization structure in public service, 2015. Consequently, the County Executive was in breach of the guidelines on staff establishment.

14.0 Failure to Establish an Audit Committee

Available information revealed that the County Executive of Nandi has not established the audit committee contrary to Section 167(1) of the Public Finance Management (County Governments) regulations, 2015, which requires each county government entity to establish an Audit committee. Consequently, the county executive was in breach of the law.

15.0 Budget Control and Performance

15.1 Development and Recurrent Budget combined

During the year under review, the County Executive of Nandi had a total budget of Kshs.6,184,133,839 which is indicated in the Appropriation Act, 2016 comprising of Kshs.2,407,209,045 for development and Kshs.3,776,924,794 for recurrent expenditure. However, the Summary Statement of Appropriation: Recurrent and Development combined reflected total final budget figure of Kshs.6,903,322,687 comprising of Kshs.4,300,566,468 for Recurrent and Kshs.2,526,109,045 for Development expenditure resulting to unexplained or reconciled difference of Kshs.719,188,848.

Further, the budget reflected overall under absorption of Kshs.1,790,023,336 as summarized below: -

Item	Budgeted Allocation 2016/2017	Actual 2016/2017	Under Absorption	Under absorption in %
	Kshs	Kshs	Kshs	
Development	2,407,209,045	1,866,542,529	540,666,516	22
Recurrent	3,776,924,794	2,979,256,016	797,668,778	21
Total	6,184,133,839	4,845,798,545	1,338,335,294	22

The under absorption is an indication that activities and projects planned for were not implemented and is likely to have a negative effect on the delivery of goods and services to the residents of the County. There is need therefore for management to relook into its budgetary mechanism with a view to focusing on the priority areas to enhance service delivery to the citizens of the County.

15.2 Development Vote

Records availed for audit review indicated that Kshs.2,407,209,045 was budgeted for the development vote in the year under review. However, according to IFMIS analysis report, only Kshs.1,414,394,192 had been spent leaving a balance of Kshs.992,814,853 or 41% unutilized contrary to Section 107 of the Public Finance Management Act, 2012 that requires the County Government to adhere to fiscal objectives set out in the budget policy statement.

Further, the County has eleven (11) departments and following is the budget performance analysis as at 30 June 2017:

Department	Budget 2016-2017	Actuals 2016-2017	Under-Absorption	Under Absorption
	Kshs	Kshs	Kshs	%
County Executive	132,335,000	300,000	132,035,000	100
Finance, Economic Planning and ICT	149,100,650	49,341,750	99,758,900	67
Devolved Units and Special Programs	166,051,045	60,381,740	105,669,305	64
Health and Sanitation	173,258,276	139,190,474	34,067,802	20
Agriculture, Fisheries and Livestock Development	144,335,000	97,586,805	46,748,195	32
Tourism, Culture and Cooperative Development	47,000,000	9,872,000	37,128,000	79
Youth, Gender, Sports and Social Services	132,600,000	86,556,540	46,043,460	35
Education, Research and Vocational Training	153,050,000	70,831,816	82,218,184	54
Department of Lands, Environment and Natural Resources	516,412,000	357,797,240	158,614,760	31
Roads, Transport & Infrastructure	771,210,000	541,743,827	229,466,173	30
Department of Trade, Investment and Industrial Development	21,857,074	792,000	21,065,074	96
Total	2,407,209,045	1,414,394,192	992,814,853	41

From the above analysis, it is evident that, management did not utilize a total of Kshs.992,814,853 or 41% of the County Executive's development budget, although departments of County Executive, Tourism, Finance, Economic Planning and ICT, Devolved Units and Special Programs and Education had the highest unutilized development budget at 100%, 79%, 67%, 64% and 54% respectively. No reason was provided for under utilization of development funds.

In addition, analysis of the department of County Executive indicated that the department was allocated a total budget of Kshs.577,950,976 comprising of Kshs.132,335,000 for development expenditure and Kshs.445,615,976 for recurrent expenditure. Under the development vote, the department utilized Kshs.300,000 (0.03% of the budget) as shown below.

Budget Vote	Budget Amount	Actual Expenditure	Under-Absorption	
	Kshs	Kshs	Kshs	%
Construction of Buildings	132,335,000	300,000	132,035,000	99.7

No reason was provided as why 99.7% of the development budget was not utilized

15.3 Recurrent Vote

The approved budget for recurrent vote was Kshs.3,776,924,794, and its performance is indicated below.

	Budget 2016-2017	Actuals 2016-2017	Under - Expenditure	Under-Expenditure
	Kshs	Kshs	Kshs	%
Compensation of Employees	1,954,369,646	1,889,451,174	64,918,472	3
Use of Goods and Services	1,608,595,148	1,020,637,542	587,957,606	37
Other grants and transfers	213,960,000	69,167,300	144,792,700	68
Total	3,776,924,794	2,979,256,016	797,668,778	21

From the above analysis, it is evident that the County Government under-spent on use of goods and services by Kshs.587,957,606, other grants and transfers by Kshs.144,792,700 and compensation of employees by Kshs.64,918,472 . This is an indication of idle funds not put to proper use for service delivery. The management may have over budgeted on recurrent expenditure and need more realistic budgeting in future.

15.4 Project Implementation

Records availed for audit review indicated that, a total of Kshs.2,407,209,045 was allocated to eleven (11) departments and the funds were meant for implementing 634 projects within the financial year as indicated below:

Department	No of Budgeted Projects	Budget Kshs
County Executive	1	132,335,000
Finance, Economic Planning and ICT	12	149,100,650
Devolved Units and Special Programs	13	166,051,045
Health and Sanitation	59	173,258,276
Agriculture, Fisheries and Livestock Development	17	144,335,000
Tourism, Culture and Cooperative Development	21	47,000,000
Youth, Gender, Sports and Social Services	11	132,600,000

Department	No of Budgeted Projects	Budget Kshs
Education, Research and Vocational Training	174	153,050,000
Department of Lands, Environment and Natural Resources	182	516,412,000
Roads, Transport & Infrastructure	140	771,210,000
Department of Trade, Investment and Industrial Development	4	21,857,074
Total	634	2,407,209,045

However, management did not avail projects status report for audit verification

Under the circumstances, it was not possible to confirm the level of implementation of projects in line with section 113 (1) of the County Government Act, 2012 which requires the county's budget to be based on the annual development priorities and objectives and the performance targets set by the county.

15.5 Budget Process of the Entity

Examination of the County executive records availed for audit review indicated that the Executive had an approved budget of Kshs.6,184,133,839 during the year under review comprising of Kshs.3,776,924,794 for recurrent expenditure and Kshs.2,407,209,045 for development expenditure. However, these figures are at variance with the statement of appropriation final budget figures of Kshs.6,903,322,687 resulting to unexplained or reconciled difference of Kshs.719,188,848.

Further, management did not provide documentary evidence for the budget process for the year under review for audit verification contrary with sections 137(1) and 128 of the Public Finance Management Act (PFMA), 2015. The documents include, attendance register of participants, copy of advertisement of venues, and reports of the meetings.

Under the circumstances, it was not possible to confirm whether the due process of budgeting was followed in the year under review.

15.6 Internally Generated Revenue

The County Government budgeted to collect Kshs.362,283,894 from internal sources against actual collections of Kshs.244,729,757 or 68% resulting to an under collection of Kshs.117,554,137 or 32%. Further, collection targets were only met in four (4) out of eleven (11) revenue streams identified and approved by the entity.

However, no reason was provided for the under collection of revenue from internal sources.

Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is necessary to enable

the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the County Executive ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

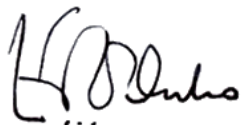
Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Those charged with governance are responsible for overseeing the County Executive's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

My responsibility is to conduct an audit of the County Executive's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matter described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of County Executive of Nandi in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.



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

Nairobi

18 April 2018