

REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF NANDI FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Executive of Nandi set out on pages 1 to 34, which comprise the statement of assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation: recurrent and development combined for the year 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 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of County Executive of Nandi as at 30 June, 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Statement of Assets and Liabilities

1.1 Accounts Payables

The statement of assets and liabilities as at 30 June 2018 reflects net financial assets figure of Kshs.1,292,348,205 which includes accounts payables figure of Kshs.743,727,329 described under note 23 to the financial statements as pending bills. However, it is not clear and management has not explained why pending bills were taken into account to arrive at net financial assets since the accounts are prepared on International Public Sector Accounting Standards (Cash Basis).

Consequently, the accuracy and completeness of the net financial assets figure Kshs.1,292,348,205 as at 30 June 2018 could not be confirmed.

1.2 Deposits and Retention Money

The statement of assets and liabilities as at 30 June 2018 reflects net financial assets figure of Kshs.1,292,348,205 which does not include deposits and retention money deducted from the contractors during the year under review.

Under the circumstances, the accuracy and validity of the net financial assets figure of Kshs.1,292,348,205 as at 30 June 2018 could not be confirmed.

2.0 Statement of Cash Flows

The statement of cash flows for the year ended 30 June 2018 reflects net increase in cash and cash equivalents figure of Kshs.236,511,053 which is at variance with the computed net cash flow from investing activities figure of Kshs.507,216,276 resulting in unexplained or unreconciled variance of Kshs.270,705,223.

Consequently, the accuracy of the statement of cash flows for the year ended 30 June 2018 could not be confirmed.

3.0 Statement of Appropriation: Recurrent and Development Combined

The statement of appropriation: recurrent and development combined for the year ended 30 June 2018 reflects budget utilization difference for exchequer releases, proceeds from domestic and foreign grants, transfers to other Government entities, county own generated receipts, other grants and transfers and acquisition of assets figures which are at variance with the computed figures as summarized below:

| Item | Final Budget Kshs. | Actual on comparable Basis Kshs. | Budget utilization difference as per Financial Statement Kshs. | Computed budget utilization difference Kshs. |
|---|-----------------------|---|--|--|
| Exchequer Releases | 5,899,375,051 | 4,314,625,378 | 5,899,375,051 | 1,584,749,673 |
| Proceeds from Domestic and Foreign Grants | 305,860,928 | 161,936,642 | 305,860,928 | 143,924,286 |
| Transfers from Other Government Entities | 249,969,192 | 195,845,363 | 249,969,192 | 54,123,829 |
| County Own Generated Receipts | 385,438,659 | 197,886,883 | 385,438,659 | 187,551,776 |
| Other Grants and Transfers | 353,229,685 | 158,408,043 | 353,229,685 | 194,821,642 |
| Acquisition of Assets | 2,096,299,827 | 570,151,348 | 2,096,299,827 | 1,526,148,479 |

Under the circumstances, the accuracy of budget utilization variances for the listed items could not be confirmed.

4.0 Outstanding Imprest

The statement of assets and liabilities as at 30 June 2018 reflects nil imprest balance as disclosed under note 22 to the financial statements while the imprest register indicates an outstanding imprest of Kshs.758,280.

Under the circumstances, the accuracy and completeness of the nil imprest balance as at 30 June 2018 could be confirmed.

5.0 Construction of Early Childhood Development (ECD) Centers in Nandi County

The statement of receipts and payments for the year ended 30 June 2018 reflects acquisition of assets balance of Kshs.570,151,348 which include construction of buildings expenditure of Kshs.16,968,889. Available information revealed that the figure of Kshs16,968,889 was for materials procured for the construction of sixty (60) ECD centers, two in each of the thirty sub-counties consisting of two classrooms and one office. However, the bills of quantities and engineer's estimate, procurement records such as requisitions, quotations, tender processing minutes, letters of award, certificate of inspection and acceptance were not made available for audit verification. Further, information revealed that materials procured for construction were being supplied directly to the construction sites without anybody on site to receive and verify the quality and quantity supplied. In addition, no status report was provided to indicate the level of completion. However, physical verification of the projects revealed that thirty-nine (39) ECDEs had not started.

Under the circumstances, the accuracy and propriety of the expenditure of Kshs.16,968,889 on construction of buildings for the year ended 30 June 2018 could not be confirmed.

6.0 Un supported Specialized Materials and Services

The statement of receipts and payments for the year ended 30 June 2018 reflects use of goods and services expenditure of Kshs.1,305,538,664 which includes an amount of Kshs.305,386,769 in respect specialized materials and services as disclosed in note 12 to the financial statements. However, documents such as payment vouchers, user requisition, copy of advertisement, tender processing minutes, contract agreements, letters of award and certificates of inspection and acceptance for the expenditure of Kshs.12,183,753 out of the total figure of Kshs.305,386,769 were not provided for audit verification.

In consequence, the validity, accuracy and propriety of the expenditure of Kshs.12,183,753 for the year ended 30 June 2018 on specialized material and services could not be ascertained.

7.0 Unsupported Pending Bills

Note 24 to the financial statements reflects total pending bills accounts payable figure of Kshs.743,7273,329. However, included in the pending bills accounts payable figure of Kshs.743,7273,329 is an amount of Kshs.427,235,300 whose supporting documents such as requisitions, invoices, contracts, inspection and acceptance reports and completion certificates for the projects were not made available for audit verification.

Under the circumstances, it is not possible to ascertain the existence, validity and accuracy and propriety of the pending bills of Kshs.427,235,300 as at 30 June 2018.

8.0 Presentation of Financial Statements

The financial statements submitted for audit do not contain budget execution by programmes and sub - programmes as required by Public Sector Accounting Standards Board. Further, a full progress on follow up on auditor recommendations have not been included as required. The management has therefore not complied with disclosure requirement as prescribed by Public Sector Accounting Standards Board.

9.0 Leased Hospital Equipment from National Government

The County Government signed a memorandum of understanding on 16 February 2015 between Nandi County Government and Ministry of Health - Kenya on provision of medical equipment and related services. The memorandum of understanding was signed by the then Governor and then Cabinet Secretary for health. The equipment signed for was in lots

1 - theatre equipment, lot 2 - theatre sterilization equipment, lot 5- renal dialysis equipment, lot 6 - intensive care unit equipment, lot 7- radiology /imaging equipment.

As at the time of audit in November 2018 the county had paid a total amount of Kshs.390 million towards the lease of these equipment. However, audit verification revealed the following;

- i. The procurement process was done at national level and there was no information on the procurement process at the county Level.
- ii. The value of the equipment could not be ascertained and as such the basis of charging the lease rentals could not be ascertained.
- iii. Lot 6 – Comprising of intensive care unit equipment were not delivered despite being included in the memorandum of understanding. The County still has no intensive care unit services which at the moment.

A number of equipment had not been put to use as at the time of audit in November 2018 as summarized below:

| Equipment | Hospital where equipment was delivered | Reason for failure to use. |
|------------------|---|--|
| C-Arm | Kapsabet | Insufficient space in the theatre where the equipment should be used. |
| C-Arm | Nandi Hills | Was to be used in maternity theatre but the necessary renovations in the theatre |

| | | |
|---|------------------------------------|---|
| | | have not been done though the upgrade is ongoing. |
| X-Ray fixed Equipment | Kapsabet and Nandi Hills hospitals | Power has not been upgraded to the level required for the equipment to operate |
| Power backup equipment- Converters, UPS and Battery units | Kapsabet and Nandi Hills hospitals | Power has not been upgraded to the level required for the equipment to operate though the upgrade is ongoing. |

Consequently, the County has not gotten commensurate value for the amount so far spent of Kshs.390 million.

10.0 Failure to Maintain a Fixed Assets Register

A summary of fixed asset register as disclosed under annex 5 to the financial statements reflects a total figure of Kshs.3,009,087,718 for fixed assets of the County Executive as at 30 June 2018. However, as reported in the previous year, a fixed asset register was not maintained 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 fixed assets under his or her control or possession as prescribed by the relevant laws.

As a result, the location, custody and safety of the fixed assets of Kshs.3,009,087,718 as at 30 June 2018 could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matter

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matter(s) described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1.0 Budget Control and Performance

1.1 Development and Recurrent Budget combined

During the year under review, the County Executive of Nandi had a total revised budget of Kshs.6,782,834,317 as per the County Appropriation Bill No. 1 of 2018 comprising of Kshs.2,095,910,112 for development and Kshs.4,627,924,205 for recurrent expenditure.

However, the summary statement of appropriation: Recurrent and Development combined reflected total final budget figure of Kshs.6,840,643,830 comprising of Kshs.4,744,344,003 for recurrent and Kshs.2,096,299,827 for development expenditure resulting to unexplained or reconciled difference of Kshs.57,809,513.

Further, the budget reflected overall under absorption of Kshs.2,477,565,840 as summarized below:

| Item | Budgeted Allocation 2016/2017 Kshs | Actual 2016/2017 Kshs | Under Absorption Kshs | Under absorption in % |
|--------------|---|------------------------------|------------------------------|------------------------------|
| Development | 2,096,299,827 | 570,151,348 | 1,526,148,479 | 78 |
| Recurrent | 4,744,344,003 | 3,792,296,642 | 951,417,361 | 20 |
| Total | 6,840,643,830 | 4,363,077,990 | 2,477,565,840 | 64 |

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.

1.2 Development Vote

Records availed for audit review indicated that Kshs.2,096,299,827 was budgeted for the development vote in the year under review. However, only Kshs.570,151,348 had been spent leaving a balance of Kshs.1,526,148,479 or 78% 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 had eleven (11) departments and the following is the budget performance analysis as at 30 June 2018:

| Department | Budget 2017-2018 Kshs | Actuals 2017-2018 Kshs | Under-Absorption Kshs | Under Absorption % |
|---|------------------------------|-------------------------------|------------------------------|---------------------------|
| Office of the Governor and Deputy Governor (County Executive) | 13,000,000 | 0 | 13,000,000 | 100 |
| Finance, Economic Planning and ICT | 117,670,000 | 0 | 117,670,000 | 100 |

| Department | Budget 2017-2018 | Actuals 2017-2018 | Under- Absorption | Under Absorption |
|--|-----------------------------|------------------------------|------------------------------|-----------------------------|
| | Kshs | Kshs | Kshs | % |
| Devolved Units and Special Programs | 113,500,000 | 25,550,000 | 105,669,305 | 77 |
| Health and Sanitation | 204,220,000 | 85,530,000 | 118,690,000 | 58 |
| Agriculture, Fisheries and Livestock Development | 169,170,000 | 160,200,000 | 8,970,000 | 5 |
| Tourism, Culture and Cooperative Development | 12,000,000 | 3,030,000 | 8,970,000 | 75 |
| Youth, Gender, Sports and Social Services | 58,500,000 | 0 | 58,500,000 | 100 |
| Education, Research and Vocational Training | 166,380,000 | 62,712,588 | 103,667,412 | 62 |
| Department of Lands, Environment and Natural Resources | 282,900,000 | 73,700,000 | 209,200,000 | 74 |
| Roads, Transport & Infrastructure | 795,210,000 | 274,054,074 | 521,845,926 | 66 |
| Department of Trade, Investment and Industrial Development | 82,500,000 | 43,270,000 | 39,230,000 | 48 |
| Total | 2,015,050,000 | 1,040,8534,074 | 1,305,412,643 | 69 |

From the above analysis, it is evident that, management did not utilize a total of Kshs.1,305,412,643 or about 69% of the County Executive's development budget. Departments of County Executive, Finance, Economic Planning and ICT, Youth, Gender, Sports and Social Services, Devolved Units and Special Programs, Tourism, Culture and Cooperative Development, Department of Lands, Environment and Natural Resources and Roads, Transport & Infrastructure had the highest unutilized development budget at 100%, 100%, 100%, 77%, 75%, 74% and 66% respectively. No reason was provided for under utilization of development funds.

1.3 Recurrent Vote

The approved budget for recurrent vote was Kshs.4,744,344,003 and its performance is indicated below:

| | Budget 2016-2017 Kshs | Actuals 2016-2017 Kshs | Under(over) – Expenditure Kshs | Under- Expenditure |
|------------------------------------|--------------------------------------|---------------------------------------|---|-------------------------------|
| Compensation of Employees | 2,363,561,664 | 2,239,979,936 | 123,581,728 | 5 |
| Use of Goods and Services | 1,824,952,220 | 1,305,538,664 | 519,413,556 | 28 |
| Transfer to Other Government Units | 202,600,434 | 89,000,000 | 113,600,434 | 56 |

| | Budget 2016-2017 Kshs | Actuals 2016-2017 Kshs | Under(over) – Expenditure Kshs | Under- Expenditure |
|--------------------------|--------------------------------------|---------------------------------------|---|-------------------------------|
| Social Security Benefits | 353,229,685 | 97,408,043 | 255,821,642 | 72 |
| Total | 4,744,344,003 | 3,731,926,643 | 1,012,417,360 | 40 |

From the above analysis, it is evident that the County Government under-spent on use of goods and services by Kshs.519,413,556, Transfers to other governments by Kshs.113,600,432, compensation of employees by Kshs.123,581,728 and Social Security Benefits by Kshs.255,821,642 . 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.

1.4 Project Implementation

Records availed for audit review indicated that a total of Kshs.2,096,299,827 was allocated for development projects during the year under review. However, management did not avail projects status report for verification. Under the circumstances, it was not possible to confirm the level of implementation in line with section 113(1) of the County Government Act, 2012 which requires the county's budget to be based on annual development priorities and objectives and the performance targets set by the county.

1.5 Revenue Under collection

The revenue collected from own source revenue reduced by Kshs.46.85 million (or about 19%) from Kshs.244.74 million realized in 2016/2017 financial year to Kshs.197.89 million in the year under audit. As a result of significant reductions in revenue, the county may become unable to meet its financial obligations.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC MONEY

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter(s) described in the Basis for [Conclusion on Lawfulness and Effectiveness in Use of Public Resources/ Qualified Opinion] section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for conclusion

1.0 Failure to Observe One Third (1/3) Rule on Staff establishment

A review of the staff establishment at the Nandi County Executive revealed that as at 30 June 2018 the County Executive had a total of 4007 employees in its payroll. Further verification revealed that the county recruited 1,555 new employees in the year 2017/18 out of whom 1511 or 97% were from the dominant community and 44 employees or 3% represented the rest contrary to section 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 positions at entry levels are filled by candidates who are not from the dominant community. The County Executive is therefore in breach of the law on staff establishment as a means of promoting national unity.

2.0 Accumulation of Pending Bills

Note 24 to the financial statements reflects total pending bills accounts payable figure of Kshs.743,7273,329 which the County Executive had accumulated as at 30 June 2018 contrary to 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.

3.0 Irregular Payments to Water Services Trust Fund (WSTF)

Available information revealed that the County Government signed a memorandum of understanding with water services trust fund (WSTF) where the county was to contribute 30% for development of water dams and water supply projects and WSTF was to finance 70% for the projects identified in the County. The memorandum of understanding was signed on 1 July, 2015 and was for phase I projects. Further information indicates that on 24 July, 2017 Water Services Trust Fund through letter REF; WSTF/5/Rural/J6P-SF/VOII/203/67 waived the county contribution by meeting the county financing obligation requirement to complete the projects since the County had failed to meet their part of the contribution of 30%. However, documents availed for audit verification revealed that during the year under review the County transferred a total of Kshs 27,473,230 to the water resources user Associations project accounts based on workings of phase I projects which had been waived and charged the expenditure to construction of civil works under acquisition of assets. The bank statements indicate that the funds have not been utilized but is lying idle in the user Associations project bank accounts where the money had been transferred. It is not clear and management has not explained why it had to transfer money despite the waiver. Under the circumstances, no value for money has been obtained for the expenditure of Kshs.27,473,230.

4.0 Irregular Payment to Council of Governors

Available information revealed that during the year under review the County Executive of Nandi made payments to the Council of Governors totaling to Kshs.2,651,304 which had not been budgeted for. It is not clear and management has not explained why expenditure was incurred on a function which falls under the national government. Under the circumstances, the expenditure of Kshs.2,651,304 to the Council of Governors is irregular and the management is in breach of the law.

5.0 Stalled Construction of Governor's Office

As previously reported the County Government entered into contract with a 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 a variation of contract price by Kshs.21,191,200 representing 21% of the original contract price to accommodate an additional floor. Further information revealed that the contractor had been paid a total of Kshs.97,685,287. However, a review of the project during the year under review and an inspection of the project in November in 2018 revealed that the project remained stalled and the contractor was not on site. 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.

6.0 Procurement of Fuel, Oil and Lubricants

Included in the use of goods and services figure of Kshs.1,282,474,833 is fuel and oil lubricants figure of Kshs.37,056,401 which was supplied by two firms. However, available information revealed that the two firms were not in the list of the pre-qualified suppliers. It was therefore not possible to confirm how the two firms were identified. In addition, examination of fuel records availed for audit revealed that fuel drawn for various vehicles on diverse dates as reflected in the receipts and detailed order were not entered in the work tickets as required. Further some of the entries in the detail orders were not reflected in the fuel register and some had discrepancies as per appendix II. It was therefore not possible to reconcile the fuel records as reflected in the cash sale receipts, detail order, fuel registers and the work tickets.

Consequently, the propriety of fuel oil and lubricants expenditure of Kshs.37,056,401 for the year ended 30 June 2018 could not be confirmed.

7.0 Irregular Payments for Travelling Expenses for Members of the County Assembly

The statement of receipts and payments for the year ended 30 June 2018 reflects use of goods and services figure of Kshs.1,305,538,664 which includes an expenditure of Kshs.4,342,412 in respect of travelling allowances for members of county assembly including expenses for drivers and fuel. The payments were for two trips comprising of an amount of Kshs.848,400 was paid for two (2) night outs to discuss draft of Nandi CIDP 2018-2022 at Kenya School of Government, Baringo from 10 to 12 January 2018 and another amount of Kshs.3,494,012 was paid to members of county assembly who travelled to Dar-es-Salam for 42nd International trade fair. It is not clear and management has not explained why they had to meet the expenditure for members of the County Assembly who have an independent vote. Under the circumstances, the expenditure of Kshs.4,342,412 in respect of travelling allowances for members of county assembly including expenses for drivers and fuel is irregular.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance

about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter(s) described in the Basis for [Conclusion on Effectiveness of Internal Controls, Risk Management and Governance/Qualified Opinion] section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for conclusion

1.0 Lack of Independent Audit Function

Available information revealed that the County Executive has an established a functional Internal Audit function in accordance with the Public Finance Management (PFM) Act, 2015. However, it was noted that the internal auditor reports functionally and administratively to the accounting officer instead of the audit committee contrary with section 162(1) of the Public Finance Management Act Regulations, 2015. Further, the internal audit department operates without an internal audit charter which is supposed to outline the scope, responsibilities and purpose of internal audit function.

Consequently, lack of independent and effective internal audit function may lead to weak internal controls.

2.0 Failure to Establish 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 is in breach of the law.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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 maintaining effective 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 and for its assessment of the effectiveness of internal control.

In preparing the financial statements, management is responsible for assessing the County Executive of Nandi ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the County Executive of Nandi or 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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public money is applied in an effective manner.

Those charged with governance are responsible for overseeing the County Executive of Nandi financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to whether, in all material

respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the County Executive of Nandi policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County Executive of Nandi ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the

audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County Executive of Nandi to cease to continue as a going concern or to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the County Executive of Nandi to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with management, I determine those matters that were of most significance in the audit of the financial statements and internal control of the current period and are therefore the key audit matters. These matters are described in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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

Nairobi

29 January 2019

Appendices

Appendix 1 Unsupported Specialized Materials and Services

| Supplier | Nature of service | Particulars | | Amount Kshs. | Comment |
|---------------------------------|--|-------------|-------|--------------|----------------------------------|
| Chiro Logistics Ltd | Cleaning Services | 44180528 | 22523 | 1,359,048.00 | Procurement records not provided |
| Kitaitai Kegebrim | Cleaning Services | 44141692 | 23619 | 1,284,205.00 | Procurement records not provided |
| Kitaitai Kegebrim | Cleaning Services | 44141695 | 23620 | 1,284,000.00 | Procurement records not provided |
| Chiro Logistic | Cleaning Services | 44131719 | 23673 | 120,952.00 | Procurement records not provided |
| Chiro Logistics Ltd | Cleaning Services | 44112368 | 24479 | 1,480,000.00 | Procurement records not provided |
| Chiro Logistics | Being Payment of Cleaning Services | 44130214 | 22204 | 1,480,000.00 | Procurement records not provided |
| Bekech Enterprise Ltd | Being Payment of Cleaning Services | 44130213 | 22206 | 1,486,296.00 | Procurement records not provided |
| M/S Joflosta Ltd | Supply of Lab Reagents | 44141380 | 23337 | 210,100.00 | Procurement records not provided |
| M/S Bioline Agency | Supply of Lab Reagents | 44141382 | 23358 | 236,550.00 | Procurement records not provided |
| M/S Bioline Agency | Supply of Lab Reagents | 44141383 | 23359 | 274,800.00 | Procurement records not provided |
| M/S Kointany Ltd | Supply of Lab Reagents (Nandi Hills) | 44141384 | 23360 | 1,014,180.00 | Procurement records not provided |
| Aylak Primeval | Supply and delivery of non pharmaceuticals to Kapsabet County Referral | 44145391 | 27223 | 1,993,710.00 | Procurement records not provided |
| Norva Ventures Ltd | Supply of Main Equipment | 44112026 | 24851 | 2,460,000.00 | Procurement records not provided |
| M/S Rusolo Enterprise Ltd | Supply And Delivery of Detergents | 44200837/2 | 22779 | 145,000.00 | Procurement records not provided |
| M/S Koltany Ltd | Supply And Delivery of Lab Reagents (Nandi Hills) | 44141374 | 23347 | 806,500.00 | Procurement records not provided |
| Mediflon Enterprises | Supply And Delivery of X-Ray Films | 44141379 | 23346 | 1,576,000.00 | Procurement records not provided |
| Hill Water Printer and Supplier | Supply of Non Pharm to Mosoriot Hospital | 44144114 | 25782 | 232,000.00 | Procurement records not provided |
| Highview Medical Diagnostic Lab | Supply of Non Pharmaceutical | 44145081 | 26998 | 1,147,600.00 | Procurement records not provided |
| Shansa Co. Ltd | Supply of Non-Pharmaceutical | 44141376 | 23345 | 148,480.00 | Procurement records not provided |

| Supplier | Nature of service | Particulars | | Amount Kshs. | Comment |
|---|--------------------------------|--------------------|-------|---------------------|----------------------------------|
| Afristat Pharmaceutical Ltd | Supply of Non-Pharms | 44144355 | 26186 | 1,531,300.00 | Procurement records not provided |
| Biwel Investment | Supply of Detergents | 44192066 | 23909 | 290,000.00 | Procurement records not provided |
| Edmark Ent Co Ltd | Supply of Detergents | 44143361 | 25421 | 276,960.00 | Procurement records not provided |
| Hillside Suppliers | Supply of Detergents. | 44205681 | 27539 | 373,810.35 | Procurement records not provided |
| Chamtany Enterprises Limited | | 44144789 | 26607 | 225,000.00 | Procurement records not provided |
| Chamtany Enterprises Limited | | 44144790 | 26608 | 557,055.00 | Procurement records not provided |
| Lilian & Koech Associates | Legal Fee | 44145756 | 27317 | 392,000.00 | Procurement records not provided |
| Uhai Mediquip Distributors and Home Healthcare Services Ltd | Supply of Hospital Consumables | 44145728 | 27447 | 815,455.60 | Procurement records not provided |
| Shawmar Suppliers and Logistics | | 44145772 | 27529 | 488,737.00 | Procurement records not provided |
| Pearlmore Limited | Supply of Non Pharmaceuticals | 44145770 | 27532 | 2,805,920.00 | Procurement records not provided |
| Ridgestar Enterprise Ltd | Supply of Reagents | 44145773 | 27533 | 811,231.05 | Procurement records not provided |
| Embroidery Design | | 44115190 | 26973 | 369,600.00 | Procurement records not provided |
| Hilsan Investment | | 44115073 | 26963 | 1,039,128.00 | Procurement records not provided |
| Nyamwaya And Associate Adv | Legal Fee | 44125172 | 26910 | 200,000.00 | Procurement records not provided |
| Nyamwaya And Associate Adv | Legal Fee | 44125173 | 26911 | 200,000.00 | Procurement records not provided |
| Nyamwaya And Associate Adv | Legal Fee | 44125171 | 26903 | 208,800.00 | Procurement records not provided |
| Daisy Chepkirui And Co. Ass | Legal Fee | 44115170 | 26907 | 290,000.00 | Procurement records not provided |
| Kabinyiny Enterprises | | 44114354 | 26220 | 678,420.00 | Procurement records not provided |
| Kimsan Services Co Ltd | | 44145392 | 27211 | 295,635.20 | Procurement records not provided |
| Bekech Enterprise Ltd | | 44145367 | 27212 | 521,580.70 | Procurement records not provided |

| Supplier | Nature of service | Particulars | | Amount Kshs. | Comment |
|------------------------------|-------------------|-------------|-------|-------------------|----------------------------------|
| Bochat Cleanings | Cleaning Services | 44145391 | 27221 | 700,000.00 | Procurement records not provided |
| Isham Ent Ltd | | 44115189 | 27049 | 161,100.00 | Procurement records not provided |
| Mediflont Enterprises | | 44143707 | 25508 | 417,985.80 | Procurement records not provided |
| Chamtany Enterprises Limited | | 44142419 | 24474 | 242,900.00 | Procurement records not provided |
| Chamtany Enterprises Limited | | 44124353 | 26199 | 642,520.00 | Procurement records not provided |
| Total | | | | 12,183,573 | |

Appendix 2 Unreconciled Fuel

| Vehicle No | Date | Litres Detail Order | Remarks |
|------------|---------------------------------------|----------------------------|--|
| 29CG048A | 24/07/2017 | 5 | Not in work ticket |
| | 28/07/2017 | 20 | Not in fuel register |
| | 31/07/2017 | 20 | Not in fuel register |
| | 04/09/2017 | 30 | Not in fuel register |
| | | | |
| 29CG052A | 24/07/2017 | 20 | Not in w/ticket |
| | 25/07/2017 | 25 | Not in fuel register work ticket shows 30 litres |
| | 01/09/2017 | 30 | Not in fuel register |
| | | | |
| KCA 387F | 03/07/2017 | 70 | Work ticket shows 100 litres |
| | 05/07/2017 | 70 | Not in work ticket |
| | 10/07/2017 | 70 | Not in work ticket |
| | 28/07/2017 | 70 | Not in work ticket |
| | 31/07/2017 | 50 | Not in work ticket |
| | 13/08/2017 | 60 | Not in work ticket |
| | 31/08/2017 | 73 | Not in work ticket |
| | 08/09/2017 | 20 | Work ticket shows 70 litres |
| | | | |
| | Nandi Hills Petroleum Products | Litres in Statement | |
| 29CG020A | 18/06/2018 | 30 | Not in work ticket |

| Vehicle No | Date | Litres Detail Order | Remarks |
|------------|------------|---------------------|---|
| | 18/06/2018 | 19.1 | Not in work ticket fuel register shows 20 litres |
| | 18/06/2018 | 18.44 | Not in work ticket and fuel register |
| | 19/06/2018 | 28.6 | Not in work ticket, fuel register shows 30 litres |
| | 19/01/2018 | 30 | Not in work ticket |
| | 29/01/2018 | 50 | Not in work ticket |
| | | | |
| 29CG010A | 18/06/2018 | 42.7 | Not in work ticket |
| | 19/06/2018 | 44.61 | Work ticket shows 40 litres |
| | 20/06/2018 | 34.61 | Work ticket shows 30 litres |
| | 21/06/2018 | 31.42 | Not in work ticket |
| | 22/06/2018 | 54.6 | Work ticket shows 50 litres |
| | | | |
| 29CG011A | 18/06/2018 | 40 | Not in work ticket |
| | 19/06/2018 | 50 | Not in work ticket |
| | 20/06/2018 | 70 | Not in work ticket |
| | 22/06/2018 | 30 | Not in work ticket |
| | 23/06/2018 | 50 | Not in work ticket |
| | | | |
| 29CG049A | 20/06/2018 | 28.6&20 | Work ticket shows 30 litres |
| | 22/06/2018 | 39.6 | Work ticket shows 30 litres |
| | | | |
| GKB451D | 18/06/2018 | 38.59 | Work ticket shows 30 litres |
| | 19/06/2018 | 24.83 | Work ticket shows 50 litres |
| | 20/06/2018 | 20 | Work ticket shows 30 litres |
| | | | |
| 29CGO38A | 18/06/2018 | 30 | Not in work ticket |
| | 20/06/2018 | 31.42 | Work ticket shows 30 litres |
| | 24/06/2018 | 40 | Not in work ticket |
| | | | |
| 29CG015A | 28/05/2018 | 33.97 | Work ticket shows 30 litres |
| | 04/06/2018 | 23.97 | Work ticket shows 20 litres |
| | 05/06/2018 | 23.97 | Work ticket shows 20 litres |
| | 07/06/2018 | 30 | Not in the work ticket |
| | 08/06/2018 | 50 | Work ticket shows 30 litres |
| | 09/06/2018 | 30 | Work ticket shows 50 litres |
| | 10/06/2018 | 30 | Not in the work ticket |
| | 11/06/2018 | 75.06 | Work ticket shows 70 litres |