REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY EXECUTIVE OF NANDI

FOR THE YEAR ENDED 30 JUNE 2018

OFFICE OF THE AUDITOR GENERAL
ELDORET HUB
31 DEC 2018
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P. O. Box 9374 - 30100, ELDORET

COUNTY EXECUTIVE OF NANDI

REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2018

Prepared in accordance with the Cash Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Nandi County Government is constituted as per the Constitution of Kenya, 2010. It is charged with the responsibility of providing a variety of services to residents within its area of jurisdiction. These include the services that were hitherto provided by the defunct Local authority and the ones that have been transferred from the national government. The County is headed by the County Governor, who is responsible for the general policy and strategic direction of the County. The Governor is supported by an Executive Committee in carrying out the mandate as stipulated in the Constitution. The County Executive Committee Member for Finance and Economic Planning is in charge of the County Treasury. One of the functions of the CEC – Finance and Economic Planning is financial reporting at the County level.

Vision

"To be the leading County in Kenya where people are empowered economically, socially and politically through equitable sharing of resources to achieve the highest standards of living."

Mission

"To improve the living standards of all residents of Nandi County by offering quality and sustainable services in an equitable and transparent manner through modern technology,innovation,enhance workforce,enviromental sustainability and entrepreneurship in all spheres of life."

Core Values

Nandi County upholds the values of accountability, transparency, excellence, accessibility, integrity, responsiveness, equity and teamwork.

(b) Key management

The County's day-to-day management is under the following key organs:

	Name	Designation	Date of holding office
1.	H.E. Stephen Kipyego Sang	Governor	21st Aug 2017
2.	H.E. Dr. Yulita Cheruiyot	Deputy Governor	21st Aug 2017
3.	CPA Alfred Lagat	CEC, Finance and Economic Planning	24th Oct 2017
4.	Mrs.Ruth Koech	CEC, Health & Sanitation	24th Oct 2017
5.	Mrs. Teresa Morogo	CEC, Administration,Public Service & E-Government	24th Oct 2017
6.	Eng. Hillary Koech	CEC, Transport & Infrustructure	24th Oct 2017

	Name	Designation	Date of holding office
7.	Mr.Elly Kurgat	CEC, Sports,Youth Affairs and Arts	24th Oct 2017
8.	Mr.Jacob Tanui	CEC, Land Enviroment & Natural Resources	24th Oct 2017
9.	Mr. Wilson Taiy	CEC, Agriculture and Cooperative Development	24th Oct 2017
10.	Mr. Stanley Baliach	CEC, Education, Research and Vocational Training	24th Oct 2017
11.	Dr. Benard K. Lagat	CEC, Trade,Investment and Industrialization	24th Oct 2017
12.	Mrs. Valentine Chumo	CEC, Tourism,Culture and Social Welfare	24th Oct 2017

(c) Fiduciary management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Name	Designation
1.	Mr. Alfred Lagat CPA (K),BCOM	CEC, Finance and Economic Planning
2.	Mr. Meshack Malakwen BSc Agri,(MBA)	Chief Officer, Finance and Economic Planning
3.	Ms Hellen J.Kemboi, CPA (K),(MBA)	Director Finance
4.	Ms Prisca Jepchirchir, CPA (K),BBM	Head of Budget

(d) Fiduciary oversight arrangements

The key fiduciary oversight bodies at the County for the year ended 30th June 2018 were:

1. County Assembly of Nandi County
2. Public Accounts and Investment Committee
3. Budget and Appropriations Committee.

(e) Entity headquarters

Nandi County Government
P.O. Box 802 – 30300
Kapsabet,Kenya

(f) Entity contacts

Telephone: (254) 053 525 2355
E-mail: infor@nandi.go.ke Website:
www.nandi.go.ke

(g) Entity bankers

1. Central Bank of Kenya
   Haile SelassieAvenue
   P.O. Box 60000
   City Square 00200
   Nairobi,Kenya

2. Cooperative Bank

   P.O. Box 19828 - 00100
   Nairobi,Kenya.

(h) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084 – GPO 00100
Nairobi, Kenya

(i) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

KEY MANAGEMENT

The County Executive team during the financial year consisted of:

H.E. Stephen Kipyego Sang - Governor

H.E. Stephen Kipyego Sang was elected the second Governor of Nandi County on 21st Aug 2017. The governor was elected on an agenda of transforming Nandi County, improving the County's roads, boosting agriculture output, improving the health sector and uplifting the people of Nandi County from poverty. It is on these key pillars that the government of H.E. Stephen Kipyego Sang has been working on since coming into power.

Governor Sang holds a Bachelor of Law Degree from the University of Nairobi. Before his election as the governor, he served as the Senator for Nandi County where he had served for one term.

H.E. Dr. Yulita Cheruiyot – Deputy Governor

H.E. Dr. Yulita Cheruiyot was elected as the second Deputy Governor of Nandi County. Before her election as the Deputy Governor, she served as a Senior lecturer at the University of Eldoret. She has also held various top management positions in different institutions among them chairperson of the Disability Mainstreaming Committee at the University of Eldoret

The Deputy Governor has a passion for PWLDs and the less fortunate whom she has been championing for the empowerment.

CPA Alfred Lagat - CEC, Finance and Economic Planning

CPA Alfred Lagat was appointed as the CEC, Finance and Economic Planning on 24th Oct 2017. He has since been in the same role and has been driving the financial management agenda in the County.

Before his appointment, he worked as a Senior Associate in Deloitte and Touche. He also worked as an Assistant Finance Manager at Diamond Trust Bank. He was previously the lead consultant for Tullow Consulting Ltd. CPA Alfred holds a Bachelor Of Commerce (Accounting). He is also a Certified Public Accountant of Kenya (CPAK).

Mrs. Ruth C. Koech - CEC, Health Services and sanitation

Mrs. Ruth C. Koech was appointed the CEC, Health services on 24th Oct 2017. Mrs. Ruth is a well renowned healthcare provider with global acclamations for his work. She has been involved in Health Administration for Iowa State Public Health Department in the USA.

Mrs. Ruth has a degree in Nursing, Biology and Masters in Public Health Management, with a public background in the Health sector for over two decades.

Dr. Benard Kiplimo Lagat - CEC, Trade, Investment & Industry

Dr. Benard Kiplimo Lagat is a Development Economist with over ten years experience in consultancy research and training in both Public and Private sectors.

He was initially a senior Lecturer and the postgraduate Chairman in the department of Economic, School of Business and Economics at Moi University teaching both postgraduate and undergraduate students.

Dr. Lagat is now in-charge of Trade, Tourism and Industry and his main goal is to market Nandi County as the destination of choice for tourists coming into Kenya.

Eng. Hillary Koech - CEC, Transport and Infrastructure

Eng. Hillary Koech was appointed as the CEC, Transport and Infrastructure on 24th Oct 2017. He is a Civil Engineer who has previously worked with a group of engineers namely CAS Consulting Engineers as a consultant in design, supervision of infrastructural projects in West Pokot County. Eng. Hillary also participated in the rehabilitation of Machakos turn-off Sultan Hamud section of Nairobi-Mombasa road, improvement of Kapsabet-Eldoret road

Besides this, he worked as project enginer in design and construction of various roads.

Mr. Jacob Tanui - CEC, Land Environment and Natural Resources

Jacob heads the Department of Land Environment and Natural Resources. He was appointed into this position on 24th Oct 2017. Mr Jacob graduated from JKUAT with a Bachelor of Science Degree in Applied Mathematics, Computer and Physics.

Jacob has over ten years experience in the Banking sector, having worked in the Cooperative Bank, branch manager K-Rep Bank and Business Growth Development Manager Equity Bank.

Mr. Wilson Kibor Taiy - CEC, Agriculture and Cooperative Development

Mr. Wilson Kibor Taiy is a holder of a masters Degree in Agricultural extension and Bachelor's Degree in Animal Production and has worked in the Agricultural sector for 32 years.

Mr. Wilson Kibor has gained experience and expertise in agricultural extension, programme, design, implementation, monitoring and evaluation

Mr. Stantley Baliach - CEC, Education, Research and Vocational Training.

Mr. Stantley Baliach is a trained teacher and worked with TSC for sixteen years, in his teaching profession he headed the Kenya Primary Schools Head Teachers Association (KEPSHA).He has also worked in Kisii University, Africa Nazarene and Laikipia Universities as part time lecturer. Mr. Baliach holds a Master of Arts (Education) and is currently undertaking his PhD course.

Mrs. Teresa Morogo - CEC, Administration, Public Service & E-Government

Mrs. Teresa Morogo is
A human resource practitioner who is licensed to practice HR by the Institute Of Human Resource Management.
She has worked with several public in institution for close to twenty years. She has a BSc. Degree from University of Eastern Africa, Baraton.
She has a post-Graduate Diploma in Business Management(KIM).she is ma master's holder with specialization in Human Resource Management From Egerton University
She formerly worked at university of Eldoret and was the head of HR and Administration at KALRO-Sugar resource Institute.

Mr. Elly Kurgat - CEC, Sports, Youth Affairs & Arts.

Mr. Elly Kurgat (28 yrs)-Sports, Youth Affairs & Arts.

Elly is an Agribusiness Management graduate who has demonstrated experience developing intervention strategies that addresses youth radicalization in high risk environments.

He has practical experience designing, sourcing funds and implementing ideas geared towards addressing youth unemployment.

He is credited with the generation and development of the Youth Agribusiness Incubation centers that trains, mentors and support Youth Led Initiatives in the Agribusiness Sector.

Elly has been extensively involved in community youth mentorship programmes and initiatives and has widely consulted with international donor agencies on multi-cultural projects and supported their implementations, simultaneously.

Recently, he consulted as a Youth Sector Specialist in the development of the Kenya Investment Mechanism; a funded programme that aims at boosting investments and business development by the youth by $1M in five years.

He has also worked with Agricultural Development Corporation.

Mrs. Valentine Chumo - CEC, Tourism, culture & social welfare

Mrs. Valentine Chumo is a holder of Bachelor of Arts Degree in design from the university of Nairobi.

She has worked as a project manager for projects intelligence group, whose tasks include overseeing and managing the provision of services on the online e-commerce platform.

Chumo is also entrepreneur and mentor and is currently the director of Alpha capital foundation, which target to empower youth women and disadvantage groups through financial empowerment.

1. COMMENTARY BY THE CEC, FINANCE AND ECONOMICPLANNING

It is my pleasure to present the Financial Statement for the County Government of Nandi for the year ended 30th June 2018. The financial statements present the financial performance of the County Government over the past year.

The promulgation of the Constitution of Kenya, 2010 under Chapter 11 ushered Kenya into a new system of governance, replacing the centralized system with a devolved system of governance. The devolved system of governance consists of the National Government and 47 County Governments.

Financing of the County Governments

Article 202 of the Constitution of Kenya provides that revenue raised nationally shall be shared equitably among the National Government and the County Governments. Each County Government's equitable share of revenue raised nationally, is determined yearly through the County Allocation of Revenue Act (CARA). The revenue sharing formula is developed by the Commission on Revenue Allocation and approved by Parliament in accordance with Article 217 of the Constitution.

The County also finances its operations through own generated revenues. These are revenues collected within the County. The key local revenue sources for Nandi County includes liquor licensing ,House and stall Rents, Cesses, Business Permits, Plot Rents, Agriculture ,Market/Trade Centre fees ,Vehicle Parking Fees ,Slaughter Houses Administration ,Sewerage and water, Other Health and Sanitation Revenues ,Cattle dips/veterinary and Miscellaneous

The County continues to explore new and innovative ways of increasing its own source revenue collections. Some of the steps that the County has taken towards improving its revenue collection include:

1) Automation of revenue collection system

Financial Performance

a) Revenue

In the year ended 30th June 2018, the County had projected revenues of Kshs 6,840,643,830 consisting of Kshs 385,438,659 from own sources and Kshs 6,455,205,171 from other sources.

A graphical representation of the revenue budget is as shown below:

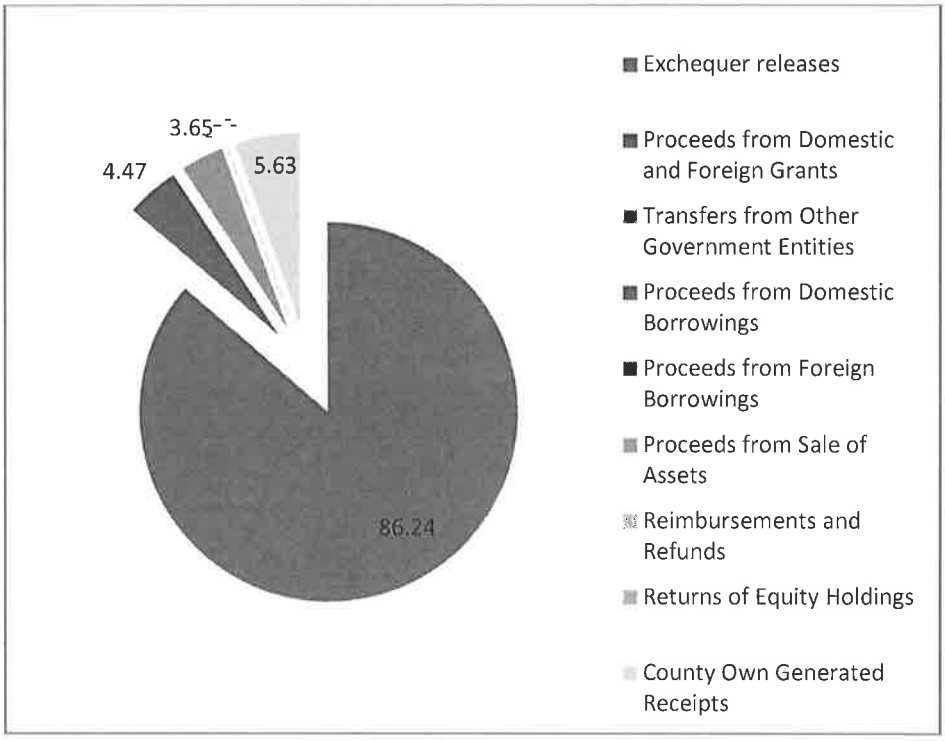


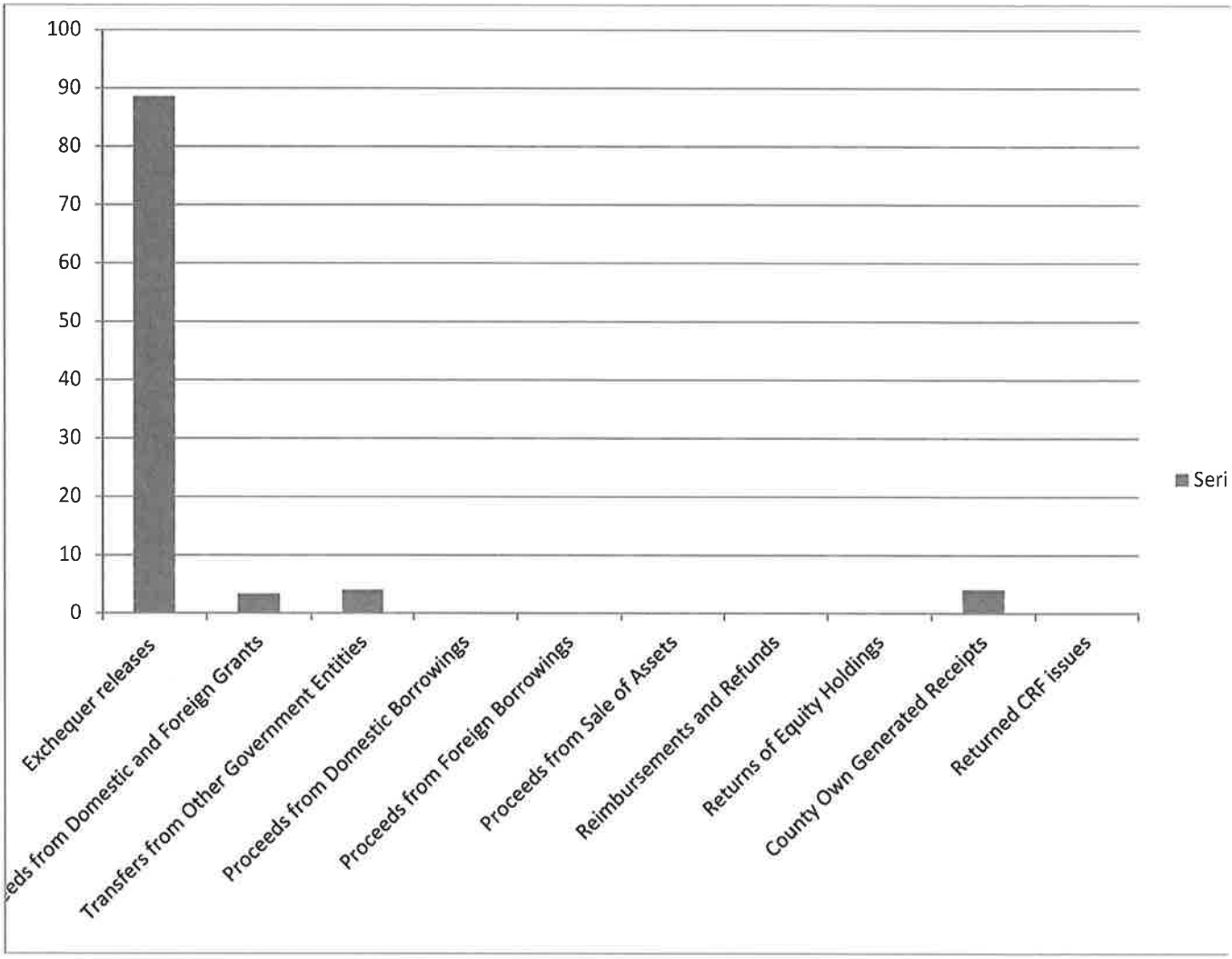
Figure 1: Nandi County revenue sources in FY 2017/2018

CARA revenues continue to form the largest part of our revenue budget, contributing 86% towards our budget. Our own generated revenues formed 5% of our budget. In order to plug in the deficit, we projected revenue from borrowings and transfer from other government entities of 4% and 3% respectively of our budget.

Out of the projected revenue, the County was able to realize Ksh 4,870,294,267 in actual revenues, representing 71% performance. This performance was as a result of delay in exchequer releases which spilled over to FY 2018/2019 . In the table below, we present an analysis of revenue performance during the year.

Revenue classification	Revenue budget (Kshs)	Actual (Kshs)	Realisation (%)
CARA	5,899,375,051	4,314,625,378	74%
Proceeds from Domestic and Foreign Grants	305,860,928	161,936,642	53%
Transfers from Other Government Entities	249,969,192	195,845,363	78%
Own generated revenues	385,438,659	197,886,883	51%
Total	**6,840,643,830**	**4,870,294,267**	**71%**

Table 1: Revenue performance in FY 2017/2018


100
90
80
70
60
50
40
30
20
10
0
Exchequer releases
eds from Domestic and Foreign Grants
Transfers from Other Government Entities
Proceeds from Domestic Borrowings
Proceeds from Foreign Borrowings
Proceeds from Sale of Assets
Reimbursements and Refunds
Returns of Equity Holdings
County Own Generated Receipts
Returned CRF issues
Seri

b) Payments

Our total expenditure for the year amounted to Ksh 4,363,077,990 comprising of both recurrent and development.

Some of the development projects in FY 2017/2018 included the following:

A COMPLETE TANK FOR CHEBARUS WATER PROJECT IN MOSOP SUB-COUNTY, NDALAT WARD

COMPLETED BODA BODA SHADE IN NANDI-HILLS SUB-COUNTY, NANDI-HILLS WARD

Water office for Kimatkei in Tindiret

Grading of new roads at Nandi

Figure 2: County Government Flagship projects completed in FY 2017/2018

The County Government has upgraded several roads over the past one year. Additionally, the County has hired more ECD teachers to bridge the existing gaps, during the year the County Purchased Specialized Plant, Equipment and Machinery, this will go a long way in Creating jobs for the youth and opening opportunities for the farmers to sell their produce.

The biggest percentage of recurrent expenditure goes to compensation of employees. This was as a result of salary increments awarded to Doctors and Nurses over the past year. However, we appreciate that a well remunerated workforce is necessary for service delivery. As such, we are committed to improving the welfare of our staff.

c) Cashflows

In the FY 2017/2018, we have not had cash flow disruptions. This was as a result of proper planning by the County and timely disbursements by the National Treasury. The cash and cash equivalents decreased from Kshs 785,131,929 as at 30thJune 2017 to Kshs 548,620,876 as at 30thJune2018.

d) Accounts receivables

Imprest management is a critical area of focus in Nandi County Government. Our aim is to adhere to the PFM regulations on imprest management. However we appreciate that there is still room for improvement in this area. The main challenge has been to get staff to account for their imprests on time.

e) Pending bills

The total pending bills remain at a tune of Kshs 743,727,329. Our focus as a County is to settle the bills as soon as possible. In every budget cycle, we ensure that part of the allocations is towards settlement of the same.

f) Fixed assets

Nandi County Government has made significant investments in fixed assets since its inception in 2013. Additionally, we inherited some assets from the defunct local authorities. We are in the process of developing a comprehensive asset management policy, which we hope to finalize in FY 2018/2019. The policy will among other things incorporate physical verification of all assets, valuation of assets, tagging of assets and maintenance of an asset register.

Despite the notable achievements, we experienced some challenges during the year. They include:

1) Decline in revenue collection – the actual revenue collected during the year was 51% of the projected revenues. We are exploring ways of enhancing revenue collection as mentioned earlier, this was attributed to transitional challenges between the current and the previous government and litigation in cess between the County Government and the tea stakeholders.

2) We experienced system downtime and network outrages with IFMIS. This has in some instance delayed payments to suppliers.

Conclusion

FY 2017/2018 was a good year in general. Good progress was made and the momentum has been created to enable Nandi County Government continue on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent years.

I take this opportunity to thank H.E. the Governor and the Deputy Governor for their support. I also want to thank my colleagues, the County Executive Committee Members in charge of all the other departments, for their teamwork and having worked tirelessly to ensure that County Government Nandi delivers.

I thank all staff in the entire County Government for their continued commitment and dedication through hard work in delivering services to the people of Nandi County and ensuring that Nandi County remains the source of champions.

FINANCE AND ECONOMIC PLANNING
CECM
COUNTY GOVERNMENT OF NANDI

Sign

CEC Finance and Economic Planning

2. STATEMENT OF CORPORATE GOVERNANCE

Nandi County Government is constituted as per the Constitution of Kenya, 2010. The County is headed by the Governor, who is responsible for the general policy and strategic direction of the County.

The County is made up of a County Assembly and County Executive. The County Assembly (CA) consists of the Members of County Assembly (MCAs) who are elected by the people to represent them in the Assembly. The CA is headed by the Speaker.

The County Executive is structured in terms of departments, headed by a County Executive Committee (CEC) Member. The CECs support the Governor and the Deputy Governor in executing the mandate of the County Government as stipulated in the Constitution.

The County Assembly

The County Assembly is made of the MCAs. It is headed by the Speaker who is elected by the MCAs. The CA is the legislative authority in the County. It also plays an oversight role in ensuring that the County resources are well allocated and well spent. The CA is especially critical in the budgeting process. The MCAs meet every week in accordance with the Standing Orders of the County Assembly.

In executing its mandate, the CA has the following oversight committees:

1. Public Accounts Committee
2. Budget and Appropriations Committee

Public Accounts and investment Committee

The committee was formed to provide oversight on the County's finances. The committee held quarterly mandatory meetings during the year. Additionally, it also held three extra sittings to deal with arising matters. The members who served in the committee during the year were:

No	Name	Position	Period served
1	Hon Walter Teno	Chairperson	27th Dec 2017 to 30th June 2018
2	Hon Rael Rotich	Vice chairperson	27th Dec 2017 to 30th June 2018
3	Hon Januarious Kering	Member	27th Dec 2017 to 30th June 2018
4	Hon Paul Sanga	Member	27th Dec 2017 to 30th June 2018
5	Hon Magrate Nyauntu	Member	27th Dec 2017 to 30th June 2018

Table 3: Public accounts committee members

Budget and Appropriations Committee

The budget and appropriations committee provides guidance in the budgetary process. It is charged with the budget making process and ensuring that there is public participation in the budget process. The members who served in the committee during the period were:

No	Name	Position	Period served
1	Hon Jackson Swadi	Chairperson	27th Dec 2017 to 30th June 2018
2	Hon Hillary Serem	Vice chairperson	27th Dec 2017 to 30th June 2018
3	Hon Pius Muray	Member	27th Dec 2017 to 30th June 2018
4	Hon Willy Maru	Member	27th Dec 2017 to 30th June 2018
5	Hon Cynthia Muge	Member	27th Dec 2017 to 30th June 2018

Table 4: Budget and appropriations committee members

Communication with all Stakeholders

The County is committed to ensuring that all its stakeholders are provided with full and timely information about its programmes and performance. They are also given an opportunity to give feedback. In this regard, the County held Public participation where different stakeholders were invited for information sharing. This communication is important in ensuring that stakeholder expectations are aligned to the County's service delivery charter.

3. STATEMENT OF COMPLIANCE

The County Government is regulated by various laws and regulations. As a County Government, we are committed to ensuring that we have complied with all the laws and regulations governing County Governments.

a) Financial reporting – Section 166 of the PFM Act (2012) requires the County Treasury to submit quarterly reports to the County Assembly and deliver copies to the Controller of Budget, National Treasury and the Commission on Revenue Allocation (CRA), no later than one month after the end of each quarter. Nandi County Government complied with this requirement and submitted the quarterly reports within the stipulated timelines.

b) Fiscal responsibilities – Section 107 of the PFM Act (2012) Spells out the requirements of the County Treasury in enforcing fiscal responsibility.

- "The County Government's recurrent expenditure shall not exceed the County government's total revenue" – in FY 2017/2018, Nandi County Government complied with this requirement whereby the recurrent expenditure was Kshs 3,731,552,718 against total revenues of Kshs4,362,704,066.

- "A minimum of thirty percent of the County Government's budget shall be allocated to the development expenditure" – in FY 2017/2018, Kshs 2,096,299,827 (31%) was allocated to development expenditure against a total budget of Kshs 6,840,943,830.

4. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Sections 163,164 and 165 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the County Treasury shall prepare financial statements of each County Government entity, receiver of revenue and consolidated financial statements for all County Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The County Executive Committee (CEC) member for finance of the County Government is responsible for the preparation and presentation of the County Government's financial statements, which give a true and fair view of the state of affairs of the County Government for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the County Government; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the County Government; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The CEC member for finance accepts responsibility for the County Government's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The CEC member for finance is of the opinion that the County Government's financial statements give a true and fair view of the state of the County Government's transactions during the financial year ended June 30, 2018, and of its financial position as at that date. The CEC member for finance further confirms the completeness of the accounting records maintained for the County Government which have been relied upon in the preparation of the its financial statements as well as the adequacy of the systems of internal financial control.

The CEC member for finance confirms that the County Government has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the County Government's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the CEC member for finance confirms that the County Government's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The County Government's financial statements were approved and signed by the CEC member for Finance on 28th Dec 2018.

FINANCE AND ECONOMIC PLANNING
28 DEC 2018
CECM
COUNTY GOVERNMENT OF NANDI

County Executive Committee member – Finance and Economic Planning

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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 could not be confirmed.

1.2 Deposits and Retention Money

The statement of assets and liabilities net financial assets figure of Kshs.1,292,348,205 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 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.

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 matters 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**	**36**

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.

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
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**	**728,046,662**	**1,305,412,643**	**65**

From the above analysis, it is evident that, management did not utilize a total of Kshs.1,305,412,643 or about 65% 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
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.

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.

2.0 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.

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 matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources 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 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, an audit 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 and was paid for two (2) nights out 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.

8.0 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 Executive 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.

9.0 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 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 matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else 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 an 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.

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

Nairobi

18 February 2019