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COUNTY GOVERNMENT OF NANDI

REF: CG/NDI/FIN/7/5.VOL.I.69

24th May 2021

**THE OFFICE OF THE AUDITOR
GENERAL**

**P.O BOX 300084-00100
NAIROBI.**

Dear Madam,

AUDIT RESPONSE TO SPECIAL AUDIT ON THE UTILISATION OF COVID 19 EMERGENCY FUNDS

Reference is hereby made to the special audit on the utilization of covid 19 funds by county governments. Below are the management response to the issues raised in the said audit.

Absence of approved work plan, budgets, procurement plans and training plans specific to COVID-19

3.3.32.1 Section 107(2) of the County Government Act, 2012 requires that County Government plans shall be the basis for all budgeting and spending in a County. Section 53 (2) and (5) of the public procurement and Asset Disposal Act, 2015 requires entities to have in place procurement and asset disposal plans that are based on indicative or approved budgets which shall be integrated with the applicable budget process and such plans shall be approved by the County Executive Committee member responsible for the entity. In addition Section 131 and 135 (2) of the Public Finance Management Act, 2012 requires County Assemblies to approve budget estimates and supplementary budget estimates of County Governments.

3.3.32.2 The special Audit, established that, the County Government of Nandi only had in place budgets for the Kenya Devolution Support Project (KDSP) funds and the County Own funds. On the contrary, there was no evidence of existence of approved budget for conditional grants, DANIDA funds and GOK Health Workers Allowances as detailed below:

3.3.32.3

Table 253: Planning and Budgeting in Nandi County

		GOK Grant	GOK Healthcare workers Allowances	DANIDA	County Covid 19 Emergency Fund	KDSP Funds
1	Approved work plans	In place	Not Applicable	Not in place	In place	Not in place
2	Budgets	Not in place	Not in place	Not in place	In place	In place
3	Procurement Plans	Consolidated Procurement Plan	Not Applicable	Not Applicable	Consolidated Procurement Plan	Not in place
4	Training Plans	Not in place	Not Applicable	Not Applicable	Not in place	Not in place

3.3.32.4 The management explained to the special audit the County was unable to include the funds received in their budgets because they had already prepared budgets for FY 2020/2021.

Management response

Section 135(1) of the Public Finance Management ACT 2012 states that, county government may spend money that has not been appropriated if the amount appropriated for any purpose under the County Appropriation Act is insufficient or a need has arisen for expenditure for a purpose for which no amount has been appropriated by that Act, or money has been withdrawn from the county government Emergency Fund.

Its worthy pointing out that GOK grant of Kshs.118,326,000 was incorporated in the supplementary budget estimate III and approved by county assembly for spending. The frontline healthcare workers allowance of Kshs,58,470,000 was not incorporated in the budget because the funds arrived late when the budget cycle for the fiscal year 2021/2022 had been completed.

On the issue of Kenya Devolution Support Program (KDSP) funds approved work plan, procurement plan and budget were in place and furthermore submitted for audit, However, the same is hereby re submitted for your review.

Annexure I: Supplementary budget III approved by Nandi County Assembly and KDSP Approved work plan, procurement pan and training plan.

Amount of funds received by Nandi County Government including recipient bank accounts.

3.3.32.5 The total amounts of funds received by the Nandi County Government for COVID 19 activities were as detailed below:

Date	Source	Amount (Kshs)	Bank name and branch	Recipient Bank account
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1	4/6/2020	GOK Conditional Grant	118,326,000	Central Bank of Kenya	1000171278
2	30/6/2020	DANIDA Funds	5,985,000	Central Bank of Kenya	1000171278
3	6/7/2020	GOK Healthcare Workers Allowances	58,470,000	Central Bank of Kenya	1000171278
4	2/7/2020	Kenya Devolution Support Programme (KDSP)	30,000,000	Central Bank of Kenya	1000171278
5	3/7/2020	County Own Funds	32,000,000	Kenya Commercial Bank Eldoret Branch	1272656985
		TOTAL	244,781,000		

Utilization of COVID-19 Funds by Nandi County Government

National Government Conditional Grants- Kshs. 118,326,000

3.3.32.6 The County Government of Nandi prepared a work plan and used a consolidated procurement plan for the conditional Grants

3.3.32.7 The special audit established that on 2 July, 2020, the County Government of Nandi released Kshs.118,326,000 from the Nandi County Revenue Fund account number 1000171278 to the Nandi County Emergency Fund account number 1000451637 held at the Central Bank of Kenya.

3.3.32.8 It was noted that, on 8th July ,2020, the County Government of Nandi, transferred Kshs.3,000,000 from the Nandi County Emergency Fund account to the Nandi County Nutrition int.prog account number 1000445138 held at the Central Bank of Kenya. This was to finance a nutrition project that is run by the County Government in partnership with Nutrition International. The amount borrowed for the nutrition project was refunded back from the Nandi County Revenue Fund Account to the Nandi County Emergency Fund account on 8th September 2020.

3.3.32.9 On 13th July, 2020 the County Government transferred the balance of Kshs.115,326,000 from the Nandi County Emergency Fund account number 1000451637 held at the Central Bank of Kenya to the Nandi County Emergency Fund account number 1272656985 held at the Kenya commercial Bank Eldoret branch.

3.3.32.10 A review of the availed payments vouchers indicated that, the County Government of Nandi had expended Kshs . 99,418,463 as at 9th October 2020 on purchase of various items and payment of allowances.

Irregularities under Conditional Grants

Over expenditure on items Kshs. 6,476,000

3.3.32.11 Section 54(2)(f) of the Public Finance Management (County Governments) Regulations 2015 requires steps to be taken to ensure that projected expenditure and revenue are within the budget. The special audit established that there was over expenditure on the following items.

Table 255: Over expenditure on Conditional Grants in Nandi County

	Item	Budget (Kshs)	Incurred (Kshs)	Variance (Kshs)
1	Full PPEs	2,700,000	6,060,000	3,360,000
2	Surgical masks	6,000,000	9,116,000	3,116,000
		8,700,000	15,176,000	6,476,000

Management Response

The over expenditure of Kshs.6,476,000 arose as a result the county government getting ready for the emergence of second wave of covid 19 which necessitated the purchase of more PPE's and surgical masks.

Procuring items not included in the procurement plan-Kshs.1,393,000

3.3.32.12 The special audit established that, the County Government of Nandi procured the following items that were not included in the procurement plan contrary to section 53 of the Public Procurement and Asset Disposal Act, 2015 that requires all procurements to be within the approved procurement plan.

Table 256: Items procured not in the procurement plan

No	Item Description	Firm awarded	Amount Kshs.
1	Heavy duty printer	Hill water printers and suppliers	896,000
2	HP Laptops	FutureTech Computer solutions Ltd	497,000
		Total	1,393,000

Management Response

The approved work plan had the provision for the procurement of heavy-duty printer hereby annexed. The amount budgeted for in the approved workplan was Kshs.2,000,000 against the actual expenditure of Kshs.896,000.

The Nandi county Emergency Fund Act 2020 gazetted on 12th March 2020 states that 5% of the fund will go to administrative work. The expenditure of Kshs.497,000 spend on purchase of laptops was expensed from the administration vote which it had been allocated an amount of Kshs.5,916,300 as highlighted in the workplan.

Annexure II : Nandi County Emergency Fund Act 2020 and Approved workplan (Administration vote) highlighted

Commingling of Covid-19 funds with normal departmental operations

3.3.32.13 Section 100 of the Public Finance Management (County Governments) Regulations 2015 requires accounting officers to keep in all offices concerned with receiving cash or making payments, a cashbook showing the receipts and payments and to maintain such other books and registers as may be necessary for proper maintenance and production of the accounts of the vote for which he or she is responsible. On the contrary the special audit, noted that, there was commingling of Covid-19 funds and the normal Nandi Health department operations funds. The same cashbook was used. As a result, it was not possible to separate Covid-19 and non Covid-19 expenditure.

3.3.32.14 However, a normal review of the payment vouchers presented to the special audit, indicated that, The County Government of Nandi had expended Kshs.41,895,650 on Covid-19 activities.

Management Response

The Nandi County Emergency Fund Act 2020 provides the guidelines for the operationalization of the fund. Part II namely establishment of the Emergency Fund, states that the fund is to enable the payments to be made in the county with respect to unforeseen circumstance. In the month of July and August 2020 we had some calamities namely land slides in Tinderet and major floods in Nandi County that resulted in drowning of some Nandi residents. As a result of this calamities some money from the Fund were used to retrieve the drowned bodies and buy food and provide shelter for the land slide victims.

In addition to these its worthy stating that the separation of expenditure of all funds received into the Emergency Account has been done accordingly and new set of cash books and reconciliations done.

DANIDA Funds

3.3.32.15 On 7th September,2020 the Chief officer-Medical services, wrote a memo to all Sub-county Ministry of Health departments informing them that the County received financial support specifically for Covid-19 pandemic and that, disbursements had been made to level II and III Health facilities. The letter also indicated that the facility Management Committees have liberty to decide on the utilization of the funds depending on individual facility need.

3.3.32.16 The special audit noted that, the County made disbursements totaling to Kshs.5,985,000 to level II and III Health facilities.

Frontline Healthcare Workers Allowances

Underfunding of budget for Frontline Healthcare Workers Allowances- Kshs.4,140,000

3.3.32.17 The salaries and Remuneration Commission approved payment of Covid-19 Medical Emergency Allowances and benefits to Frontline Healthcare Workers vide letter Ref no SRC/TS/COG/3/61/48. The County Government of Nandi received Kshs. 58,470,000 from the Ministry of Health on 6th July,2020 for payment of Frontline Health Worker's Allowances. The County Government of Nandi paid Kshs. 57,690,000 to 1,424 frontline healthcare workers through the IPPD payroll in July,2020. The special audit established the 276 support staff deployed in various Nandi County health facilities had NOT been paid the Covid-19 emergency Allowances amounting to Kshs. 4,140,000.

3.3.32.18 Section 135(1) of the Public Finance Management Act, 2012 requires County Government to spend money that has been appropriated for incase a need has arisen for expenditure for a purpose for which no money has been withdrawn from the County Government Emergency Fund. In such cases, section 135 (2) and (4) of the Public Finance Management Act,2012 requires a County Government to present supplementary budgets to the County Assembly within 2 months to formalize the spending. There was no evidence that the Kshs.58,470,000 received by Nandi County from the Ministry of health for payment of frontline healthcare worker's Allowances had been appropriated by the County Assembly to comply with this requirement.

Management Response

The underfunding of budget for allowance to front line health care workers arose as a result of inadequate funding from the National government. The amount of Kshs.58,470,000 was captured under the IPPD system and was automatically populated to staff pay slip and payroll therefore leaving out the support staff who are employees of individual facilities.

Kenya Devolution Support Programme (KDSP) Funds

3.3.32.19 The Ministry of Devolution and ASAL obtained concurrence from the world bank on the application of KDSP level 1 Grants for the financial year 2019/20 towards interventions to mitigate against the Covid-19 pandemic. The Ministry strongly recommended the County Governments to channel the Grants to interventions that would improve their internal capacity to respond to the effects of Covid-19. Such interventions were to include Personal protective Equipment for healthcare providers, protective gears to the vulnerable groups, public health campaigns and sensitization programs and training on preventive measures.

Absence of work plan, procurement plan and training plans resulting in failure to utilize KDSP Funds Kshs.30,000,000

3.3.32.20 The Nandi County Government received Kshs.30,000,000 KDSP on 2nd July 2020. The funds were deposited in Nandi county revenue Fund account number 1000171278 and later transferred to Nandi KDSP account number 1000441388 held at the Central Bank of Kenya on 8th July 2020.

3.3.32.21 The special audit, however, noted that the County Government of Nandi did not have in place an approved work plan, procurement plan, and training plan in place for the KDSP funds. As a result, the County had not utilized the KDSP funds by the time of special audit 9th October 2020 thereby hindering service delivery to the healthcare providers, vulnerable groups and other Covid-19 mitigating interventions.

3.3.32.22 It is recommended that the County Government of Nandi should ensure approved work plan, procurement plan and training plans that are specific to COVID-19 activities are in place for the KDSP funds so as to be able to utilize the funds lying idle in the bank.

Management Response

The work plan, procurement plan and training plans relating to KDSP funds was approved in July 2020. It was submitted for audit. However, we hereby re submit for your review again.

Annexure III: Kenya Devolution Support Programme (KDSP) Approved work plans, training plan and procurement plans

Financial and Non-financial Reporting on Covid-19 funds

3.3.32.23 It was established that, the County Government of Nandi prepared and submitted a financial report on utilization of COVID-19 funds as at 31st July, 2020 to the controller of budget.

3.3.32.24 The special audit established that, while the amount budgeted for in the financial year 2019/2020 for KDSP was Kshs.30,000,000 as per printed budget estimates, the report by the Nandi County Government to the Controller of Budget omitted this amount.

3.3.32.25 The County Government also generated non-financial reports to the COVID-19 situation for its internal use.

Management Response

The omission of Kshs.30,000,000 from KDSP for covid 19 operations in the controller of budget report was an error which is highly regrettable. However, an amended new report to Controller of Budget (COB) has been redone and incorporate this amount.

Annexure IV: Amended Controller of Budget (COB) report

Accountability of Donation

3.3.32.26 The special audit noted that the County Government of Nandi received financial and non-financial donations from various individuals and organizations as detailed:

Table 257: Donations received in Nandi County

S/No	Partner	Details of support		Quantity
1.	DSW (Deutsche stiftung welbevölkerung)	sensitization	-	
2.	KANCO	sensitization	-	
3.	OPTIONS Delivered directly to the following facilities: Kapsabet referral hospital Kapkangani Health centre Kilibwoni Health centre Mother Fransisca mission	Surgical masks Thermo guns Surgical masks N95masks Aprons Gumboots Face shield	152 pcs 37 2000 pcs 304 pcs 146 pcs 152 pairs 152	

	Mosoriot sub-county hospital Kibiyet sub county hospital Chepterwai sub county hospital Kaiboi mission Nandi hills hospital Lessos health centre Koilot health centre Meteitei sub county hospital Sobar river Health centre Chemase Health centre Kaptumo sub county hospital Kobujoi mission Kibwareng health centre Serem Health centre	Surgical gloves Clean (gloves pairs) H/D gloves (pairs) Hand sanitizer (500ml) presept	164 pairs 320 pairs 80 pairs 425 71 tabs
4.	NEPHAK	Training for CHVs, community education	-
5.	Nutrition International	Cloth masks	700
6.	Red cross	Training of CHVs community education	-
7.	Walter Reed	Psychosocial counselling Testing	-
S/No	Partner	Details of support	Quantity
8.	UNICEF	Training	
9.	Kenya medical training college	Community education sensitization	-
10.	Eastern produce Kenya (Delivered to Nandi hills hospital)	ICU beds Normal beds Safety goggles Infrared Thermometers Bp machines Air mattresses Pressure pump Surgical gloves Hand sanitizers Surgical gowns N95 masks Jik Surgical spirit Electric Autoclave machine Pedal Bins	3 10 46 2 3 2 1 100 pairs 100 lts 3 20 10 lts 15 lts 1 2
11.	Kerebe Gold (KerebeGold mines)	Medical equipment: Oxygen concentrator	1

		Oxygen delivery masks Oxygen canula/prongs Oxygen splitter Oxygen cylinders Regulators Non rebreather masks Oxygen masks-adult Pulse oximeter	3 5 4 10 5 3 20 5
12.	County pension fund	Surgical face masks Clean gloves Hand washing tanks	400 pcs 700 pcs 2 tanks (120 l)
13.	NOREB	Cloth Face masks	500 pcs
14.	Kenya Medical Association	Training	
15.	Moi University (Delivered to Nandi hills Hospital)	Hospital beds	12
S/No	Partner	Details of support	Quantity
16.	MOH	PPEs Body bags Nose masks Apron plastic Goggles Surgical gloves Coveralls 1.5 litre spray pump	500 5 100 10 30 2 pkts 25 2
17.	Kenya pipeline	Sanitizers 500ml 20 litres	4,296 containers 219 containers
18.	KVDA	Face masks Hand washing tanks (for public use)	
19.	World Bank Emergency Program	Thermo guns	35
20.	Korean Alumni	Thermo guns	45
21.	Operation Eyesight (Delivered to community women groups)	Water tanks	120
22.	The County Cabinet	Finacial support	Kshs.3,754,817
23.	Equity Bank (Delivered to Nandi Hills Hospital)	Examination Gloves Surgical gowns Blue Coveralls KN95 Masks	4,400 pcs 500 pcs 300 pcs 500 pcs

		Gumboot covers Shoe covers Head covers White coveralls	300 pcs 200 pcs 100 pcs 12 pcs
24.	Church of Jesus Christ of Latter-Day Saints	Assorted food items Material and child health care	Kshs.7,700,000 Kshs.7,210,000

Accountability Risks for Donations received from KEMSA

3.3.32.27 A review of dispatch records from KEMSA and receipt records by County Government of Nandi indicated that there were inconsistencies between the quantities supplied by KEMSA and quantities received by the County Government of Nandi as detailed in the table below:

Table 258: Accountability of Donations in Nandi County

NO.	Item	KEMSA Dispatch	Received at Nandi County	Variance
		511 Quantity	513 Quantity	
1	Masks	104	250	(146)
2	Non-Woven masks	1000	0	1000
3	Face shield	1585	0	1585
4	Shoe covers	20	0	20
5	Gloves	21	13,500	(13,479)
6	Sanitizer	0	100	(100)
7	Goggles	60	10	50
8	Surgical gowns	750	0	750
9	Coveralls	120	10	110
10	KN95 masks	240	20	220
11	Thermometer Guns	0	1	(1)
12	Ventilators	2	0	2
13	PPE Gear	0	15	(15)

3.3.32.28 Section 74 (4) of the public Finance Management Act (County Government) Regulations, 2015 requires that where Grants and donations are receivable in kind, the value of such donations shall be determined and included in the estimate and reflected as expenditure in the financial year. The special audit noted that the County Government of Nandi do not value the items received from KEMSA and other donors.

Management response

Valuations of all grants and donations received in regard to covid 19 is ongoing. A detailed and up to date report will be submitted to Office of Auditor General office for further review and advice.

Other audit observations

Pending Bills

3.3.32.29 As at 9th October 2020 the County Government had incurred pending bills amounting to Kshs.33,667,600 on conditional Grants and Kshs.62,378,062 on County Emergency funds.

Irregularities, weaknesses and managerial responsibility

3.3.32.30 The special audit identified various irregularities and weaknesses in management controls that may imperil the effective implementation of budgetary and other policy decisions. The specific irregularities, weaknesses and respective recommendations for policy interventions are as follows:

Table 259: Irregularities, Weaknesses and Managerial Responsibility in Nandi County

	Irregularity/weakness	Risk/ law violated	Amount (Kshs)	Responsibility	Recommendations
1	Absence of approved work plan, procurement plan, and training plan for Kenya Devolution Support project	Section 107(2) of the County Government Act, 2012	30,000,000	County Government of Nandi	Prepared appropriate plans for efficient and effective utilization of the funds
2	Underfunding of budget for frontline healthcare workers Allowances	Potential labor unrest among health workers	4,140,000	County Government of Nandi	Appropriate consultations should be made between the National and County Governments so as to generate accurate numbers of frontline employees to be paid at the county level.
3	Absence of approved budgets for Frontline Healthcare Workers Allowances received from Ministry of Health	Section 135(2) and (4) of the Public Finance Management Act, 2012 requires County Government to present supplementary budgets to the County Assembly	58,470,000	County Government of Nandi	Management to ensure the amounts are presented in supplementary budgets and approved appropriately.

		within 2 months to formalize the spending.			
4	Commingling of COVID-19 funds from own source revenue with normal departmental operations	Accountability risks	-	County Government of Nandi	Funds should be subjected to further investigations to ascertain any loss
5	Inaccurate financial reporting	Accountability risks	-	County Government of Nandi	Management to ensure consistency in financial reporting
6	Inconsistencies between the quantities of donations supplied by KEMSA and quantities received by the County Government of Nandi	Accountability risks	-	County Government of Nandi and KEMSA	Further investigations to be conducted to ascertain any loss
7	Failure to value donations and disclose the value in appropriate books of accounts	Violation of section 74 (4) of the Public Finance Management Act, (County Government) Regulations, 2015	Not applicable	County Government of Nandi	All donations should be valued and disclosed as appropriate

Management Response

The above recommendations has been taken into account in the day to day management of Covid 19 funds.

Thank you



CPA ALFRED LAGAT

CECM FINANCE AND ECONOMIC PLANNING