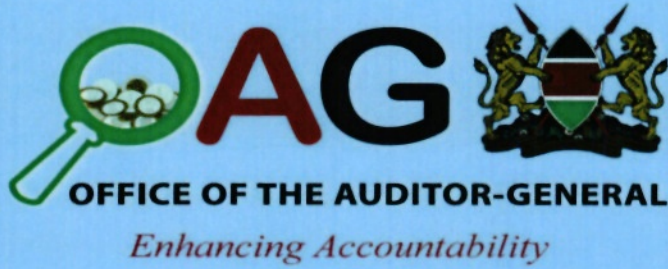


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REPORT

OF

THE AUDITOR-GENERAL

ON

**BARINGO COUNTY SMALL AND MEDIUM
ENTERPRISE FUND**

**FOR THE YEAR ENDED
30 JUNE, 2019**

PAPERS LAID	
DATE	16-02-2022
TABLED BY	LEADER OF MAJORITY
COMMITTEE	
CLERK AT THE TABLE	M-ADJIBODDU

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON BARINGO COUNTY MICRO AND SMALL ENTERPRISES FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Baringo County Micro and Small Enterprises Fund set out on pages 1 to 3, which comprise of the statement of financial position as at 30 June, 2019, and the statement of receipts and payments and statement of cash flows for the year then ended in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

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

Basis for Disclaimer of Opinion

1. Use of Inappropriate Reporting Framework and Incomplete Information

The financial statements for the year ended 30 June, 2019 presented for audit were prepared in accordance with International Public Sector Accounting Standards (IPSAS) cash basis of accounting instead of accrual basis contrary to the requirements of the Public Sector Accountants Standards Board. Further, the statements are incomplete and do not have the following information:

- i. Key Entity Information by Management;
- ii. The Board of Trustees (or any other corporate governance body) for the Fund;
- iii. Management team;
- iv. Board/ Fund Chairperson's Report;
- v. Report of the fund administrator;
- vi. Corporate Governance Statement;
- vii. Management Discussion and Analysis;
- viii. Corporate Social Responsibility statement/sustainability report;
- ix. Report of the Trustees;
- x. Statement of Management responsibilities;
- xi. Comparative figures;

- xii. Statement of changes in net assets;
- xiii. Statement of comparison of budget and actual amounts;
- xiv. Summary of significant accounting policies;
- xv. Notes to the financial statements; and
- xvi. Other important disclosures;

Consequently, the set of financial statements for the year ended 30 June, 2019 did not comply with International Public Sector Accounting Standard No.1 and format prescribed by the Public Sector Accounting Standards Board.

2. Inaccuracies in the Financial Statements

The financial statements presented for audit contained the following inaccuracies: -

- a) The statement of receipts and payments reflects balance brought forward amount of Kshs.7,807,559 which is not in line with the requirement of International Public Sector Accounting Standards No.1 on presentation of the financial statements which requires opening fund balances to be reported in the statement of financial position and not the statement of receipts and payments.
- b) The statement of financial position reflects fund balance carried forward of Kshs.3,847,410. However, the supporting schedules and other documentary evidence were not provided for audit review.

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2019 could not be confirmed.

3. Variances Between Financial Statements and Schedules

The statement of receipts and payments amounts differed with the schedules provided for audit verification as shown below:

Component	Financial Statements (Kshs)	Supporting Schedules (Kshs)	Variance (Kshs)
Loan Repayments	5,188,696	5,212,006	(23,310)
Loan Disbursement	9,030,000	8,930,000	100,000
Operation Expenses	118,845	116,710	2,135

Consequently, the accuracy and completeness of the reported amounts in the statement of receipts for the year ended 30 June, 2019 could not be confirmed.

4. Unsupported Loan Repayments

The statement of receipts and payments reflects a balance of Kshs.5,188,696 in respect of loan repayments. However, as previously reported, the balance was not supported with loan agreements, and details of the loans issued, principal and interest repayments and

the outstanding balance. This is contrary to Regulation 8(g) and (h) of the Public Finance Management (Baringo County Micro and Small Enterprises Fund) Regulations, 2018 that requires the officer administering the Fund to receive and account for all funds and to prepare and maintain records and books of the Fund.

Consequently, the accuracy and completeness of the loan repayment amount of Kshs.5,188,696 for the year ended 30 June, 2019 could not be confirmed.

5. Unsupported Payments

The statement of receipts and payments reflects payments totalling to Kshs.9,148,845 which was not supported with schedules, payment vouchers and cashbook. This is in contravention with Section 99(3) of the Public Finance Management (County Governments) Regulations, 2015, which requires every entry in the accounts to be supported.

In the absence of relevant information, documentation and records for audit verification, it has not been possible to confirm the accuracy and completeness of payments totaling to Kshs.9,148,845 for the year ended 30 June, 2019.

6. Unconfirmed Bank Balance

The statement of financial position reflects bank balance of Kshs.3,847,410. However, the balance was not supported with cashbook, bank reconciliations and certificate of bank balance. This is contrary to Regulations 90(1) and 100 of the Public Finance Management (County Governments) Regulations, 2015 that require keeping of cashbook showing the receipts and payments and bank accounts reconciliations for each bank account. Further, the Fund bank statements reflects withdrawals of Kshs.177,620 which have not been incorporated in the financial statements.

Consequently, the accuracy and completeness of the bank balance of Kshs.3,847,410 as at 30 June, 2019 could not be confirmed.

7. Budgetary Control and Performance

The statement of receipts and payments reflects total revenue of Kshs.12,996,255 and total payments of Kshs.9,148,845. However, no evidence was provided of the Fund budget estimates having been approved during the year under review contrary to Section 31(a) of the Public Finance Management (County Governments) Regulations, 2015 which requires all revenue and expenditure to be entered into the county government budget estimates and approved for one year only.

In the circumstances, the Fund Management is in breach of the law.

8. Failure to Submit Financial Statements

As previously reported, the Fund's financial statements for the year ended 30 June, 2015 have not been submitted for audit. This is contrary to Section 167 of the Public Finance

Management Act, 2012 that requires the administrator of a county public fund established by the Constitution, an Act of Parliament or county legislation to prepare financial statements for the fund for each financial year in the form prescribed by the Accounting Standards Board.

9. Late Submission of Financial Statements

The financial statements of the Fund for financial year 2018/2019 were submitted on 24 February, 2020 more than four (4) months after the statutory date of 30 September, 2019. Section 167(1) of the Public Finance Management Act, 2012 requires an Accounting Officer to prepare annual financial statements for each financial year within three months after the end of the financial year. No explanation was given for the anomaly.

From the foregoing, the Fund is in breach of the law.

10. Lack of Risk Management Policy

The Fund do not have a risk management strategy contrary to section 158(1)(a) and (b) of the Public Finance Management (County Government) Regulations 2015 which requires the accounting officer to develop risk management strategies, which include fraud prevention mechanism and internal control that builds robust business operations.

In the circumstances, the adequacy and effectiveness of the risk management strategies and controls put in place could not be established.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit 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 (Accrual 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, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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 resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Fund Management 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

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

In addition, my responsibility is to express a conclusion about 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, and that public resources are applied in an effective way, 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and internal controls, risk management and governance.

I am independent of Baringo County Micro and Small Enterprises Fund Management in accordance with ISSAI 130 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 January, 2022

BARINGO COUNTY GOVERNMENT.

Email:



Mwalimu plaza, 1st Floor
P.O. BOX 053-30400,
KABARNET.

Department of Industrialization, Commerce, Tourism and Enterprise Development

BARINGO COUNTY-SMALL AND MEDIUM ENTERPRISE FUND

STATEMENT OF RECEIPTS AND PAYMENTS

FOR FINANCIAL YEAR 2018-2019 (1ST JULY, 2018 – 30TH JUNE, 2019)

RECEIPTS	<u>KSHS</u>	<u>KSHS</u>
Balance B/F	7,807,559.00	
Transfers from Baringo County Treasury	0.00	
Loan Repayments	<u>5,188,696.00</u>	
Total Revenue		<u>12,996,255.00</u>
PAYMENTS		
Funds Uses/Expenditure/Disbursements	9,030,000.00	
Operation Expenses	<u>118,845.00</u>	
Total Payments		<u>(9,148,845.00)</u>
SURPLUS		<u>3,847,410.00</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 10/07/2019 and signed by:

Fund Administrator

Small and Medium Enterprise Fund



STATEMENT OF CASH FLOW

Operating Activities:	Kshs.	Kshs.
Opening Balance for the period(Bal B/F)	7,807,559.00	
Transfers from Baringo county government	0.00	
Loan Repayments	<u>5,188,696.00</u>	<u>12,996,255.00</u>
Less:		
Funds Uses/Expenditure/Disbursements	9,030,000.00	
Operation Expenses	<u>118,845.00</u>	<u>(9,148,845.00)</u>
Net Cash Inflow From Operating Activities		<u>3,847,410.00</u>
Investing Activities:		
Proceeds from sale of Assets	0.00	
Acquisition of Asset	<u>0.00</u>	
Net Cash Inflow From Investing Activities		<u>0.00</u>
Financing Activities:		
Proceeds from Domestic borrowing	0.00	
Proceeds from Foreign Borrowing	0.00	
Loan repayments	<u>0.00</u>	
Net Cash Inflow From Financing Activities		<u>0.00</u>
Changes in Cash and cash Equivalent		
Cash at end of theperiod		<u>3,847,410.00</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 10/07/2019 and signed by:



.....
Fund Administrator

Small and Medium Enterprise Fund

STATEMENT OF FINANCIAL POSITTON

FINANCIAL ASSETS	KSHS
Cash and cash equivalent	0.00
Bank balance	<u>3,847,410.00</u>
Total Financial Assets	<u>3,847,410.00</u>
Less:	
FINANCIAL LIABILITIES	
Accounts Payable	<u>0.00</u>
Total Financial Liabilities	<u>0.00</u>
NET FINANCIAL ASSETS	<u>3,847,410.00</u>
REPRESENTED BY:	
Fund Balance c/Fwd	3,847,410.00
Add: Surplus Adjustment for previous period	<u>0.00</u>
Net Financial Position	<u>3,847,410.00</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 10/07/2019 and signed by:


.....

Fund Administrator
Small and Medium Enterprise Fund

