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REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

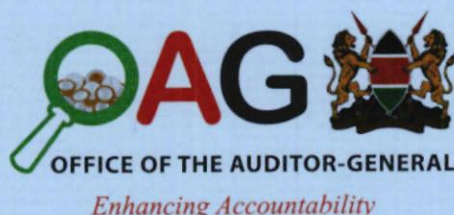
**BARINGO COUNTY EXECUTIVE CAR LOAN
SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2018**

PAPERS LAID	
DATE	05/04/2022
TABLED BY	SLM
COMMITTEE	—
CLERK AT THE TABLE	MR. AMOLO

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON BARINGO COUNTY EXECUTIVE CAR LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2018

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Baringo County Executive Car Loan Scheme Fund set out on pages 1 to 3, which comprise of the statement of financial position as at 30 June, 2018, 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 Financial Reporting Framework

The financial statements for the year ended 30 June, 2016 presented for audit were prepared in accordance with International Public Sector Accounting Standards (IPSAS) cash basis of accounting instead of accrual basis. This statements therefore, do not enhance completeness and disclosure as required by International Public Sector Accounting Standards No.1 on presentation of the financial statements.

2. Presentation of the Financial Statements

The financial statements for the year ended 30 June, 2018 prepared and presented are incomplete and omitted the following information:

- a) Comparative balances;
- b) Key Entity Information by Management;
- c) The Board of Trustees (or any other corporate governance body for the Fund);
- d) Management team;
- e) Board/ fund chairperson's report and Report of the fund administrator;
- f) Corporate governance statement;
- g) Management discussion and analysis;

- h) Corporate social responsibility statement/sustainability report;
- i) Report of the Trustees;
- j) Statement of management responsibilities;
- k) Statement of changes in net assets;
- l) Statement of comparison of budget and actual amounts;
- m) Summary of significant accounting policies and Notes to the financial statements;
- n) The financial statements presented for audit do not have the name and sign off date of the fund accountant;

Consequently, the financial statements for the year ended 30 June, 2018 did not comply with International Public Sector Accounting Standard No.1 as prescribed by the Public Sector Accounting Standards Board.

3. Inaccuracies in the Financial Statements

The financial statements for the year 30 June, 2018 presented for audit had the following inaccuracies:

- a) The statement of receipts and payments reflects balance brought forward, loan recovery and fund disbursements of Kshs.14,965,824, Kshs.7,161,950 and Kshs.9,040,000 respectively. However, this disclosure is not in line with the requirement of International Public Sector Accounting Standards No.1 on presentation of the financial statements which requires opening balances, loan recovery and fund disbursements to be reflected in the statement of financial position and not in the statement of financial performance;
- b) The statement of financial position reflects unsupported fund balance carried forward of Kshs.2,583,739.
- c) The statement of financial position reflects nil surplus adjustment for the previous period which differed with a surplus of Kshs.14,965,824 reported in 2016/2017 financial statements;
- d) The statement of financial position exclude receivables (long-term and short-term) from exchange transactions, payables and provisions, revolving fund, and accumulated surplus of the Fund as at 30 June, 2018.

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2018 could not be confirmed.

4. Loan Recovery

The statement of receipts and payments for the year ended 30 June, 2018 reflects loan recovery of Kshs.7,161,950. However, the loan recovery schedule did not have details of the principal amount, repayments and outstanding balance. This is contrary to Regulation 8(3)(c) of the Public Finance Management (Baringo County Executive Members Car Loan Scheme Fund) Regulations, 2016 that requires officer

administering the Fund to cause to be kept proper books of accounts and other books and records in relation to the Fund and for all loans financed from the Fund.

Consequently, the accuracy and fair statement of the loan recovery of Kshs.7,161,950 could not be confirmed.

5. Lack of Approved Budget

The statement of receipts and payments reflects total revenue of Kshs.22,127,774 and gross expenditure of Kshs.19,544,035. However, the Fund's annual budget estimates and work plans were not provided for audit review. This contravenes Section 92(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the approved budget estimates of expenditure shall form the basis of the financial statements for the financial year.

In the circumstances, the Fund is in breach of the Law.

6. Non-Adherence to Car Loan Scheme Fund Regulations

As previously reported, the Fund Management failed to comply with the Public Finance Management (Baringo County Executive Members Car Loan Scheme Fund) Regulations, 2016 as detailed below:

- i. Evidence that Management prepared quarterly reports and maintained individual account for each borrower pursuant to Regulations 20(3) and 18(1a) respectively was not provided for audit review;
- ii. Copies of motor vehicle log books provided for audit were not jointly owned contrary to Regulation 10(2) which require joint ownership between Baringo County Government and the member of the scheme until the loan is repaid in full;
- iii. Contrary to Regulation 9(1,2,3), there was no evidence of purchase proposals, establishing capacity to repay and purchase agreements in the prescribed form subject to valuation by the government mechanical department and;
- iv. Evidence that vehicles purchased under the scheme were comprehensively insured and insurance of loans issued pursuant to Regulations 16(1) and 16(4) respectively was not provided for audit review.

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

7. Late Submission of Financial Statements for Audit

The financial statements of the Fund for the financial year ended 30 June, 2018 were submitted for audit on 24 February, 2020 contrary to the provisions of Section 167(1) of the Public Finance Management Act, 2012 which requires an Accounting Officer to prepare annual financial statements for each financial year within three months after the end of the financial year.

In the circumstances, Management is in breach of the Law.

8. Failure to Respond to Management Letter

The Fund management failed to respond to the management letter dated 22 June, 2020. This is contrary to Section 31 (4) of the Public Audit Act, 2015, which requires an Accounting Officer within fourteen days from the date of receipt of the draft management letter, to submit a response to the Auditor-General including remedial actions that have been undertaken to address any qualifications in the draft management letter.

No reason was given for the failure to comply with the law.

9. Lack of Risk Management Policy Framework

It was noted that in year under review, the Fund did not have a risk management strategy contrary to Regulation 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, risk management, development of strategies and controls may not have been implemented as required.

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

Report of the Auditor-General on Baringo County Executive Car Loan Scheme Fund for the year ended 30 June, 2018

(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 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 financial reporting process, reviewing the effectiveness of how the Fund 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 Baringo County Executive Car Loan Scheme 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 the Baringo County Executive Car Loan Scheme 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

25 January, 2022

BARINGOCOUNTYGOVERNMENT.

Email.



AFC Building,
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KABARNET.

Department of Finance, Treasury & Economic Planning

BARINGO COUNTY-EXCECUTIVE CAR LOAN SCHEME

STATEMENT OF RECEIPTS AND PAYMENTS

FOR FINANCIAL YEAR 2017-2018 (1ST JULY, 2017-30TH JUNE, 2018)

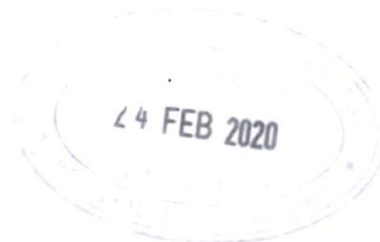
RECEIPTS	<u>KSHS</u>	<u>KSHS</u>
Balance B/F	14,965,824.00	
Loans Recovery	<u>7,161,950.00</u>	
Total Revenue		<u>22,127,774.00</u>
PAYMENTS		
Funds Uses/Disbursements	9,040,000.00	
Transfer to Mortgage Fund Account	10,500,000.00	
Bank Charges	<u>4,035.00</u>	
Total Payments		<u>(19,544,035.00)</u>
SURPLUS		<u>2,583,739.00</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 10/07/2018 and signed by:

.....1.0. JUL 2018

Fund Administrator

Bursary Fund



STATEMENT OF CASH FLOW

	Kshs.	Kshs.
Operating Activities:		
Opening balance for the period (Bal B/F)	14,965,824.00	
Transfers from Baringo county government	0.00	
Loan Recovery	<u>7,161,950.00</u>	
		<u>22,127,774.00</u>
Less:		
Funds Uses/Expenditure/Disbursements	9,040,000.00	
Transfer to Morgage fund Account	10,500,000.00	
Bank Charges	<u>4,035.00</u>	
		<u>(19,544,035.00)</u>
Net Cash Inflow From Operating Activities		<u>2,583,739.00</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>2,583,739.00</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 10/07/2018 and signed by:



10 JUL 2018

Fund Administrator

Bursary Fund

STATEMENT OF FINANCIAL POSITITON

FINANCIAL ASSETS	KSHS
Cash and cash equivalent	0.00
Bank balance	2,583,739.00
Total Financial Assets	<u>2,583,739.00</u>
Less:	
FINANCIAL LIABILITIES	
Accounts Payable	<u>0.00</u>
Total Financial Liabilities	<u>0.00</u>
 NET FINANCIAL ASSETS	 <u>2,583,739.00</u>
 REPRESENTED BY:	
Fund Balance c/Fwd	2,583,739.00
Add: Surplus Adjustment for previous period	<u>0.00</u>
Net Financial Position	<u>2,583,739.00</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 10/07/2018 and signed by:



10 JUL 2018

.....
Fund Administrator

Bursary Fund

