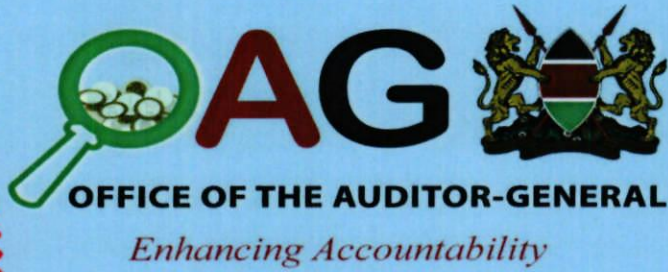
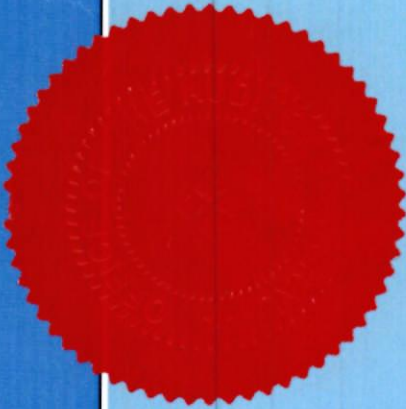


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REPORT

OF

THE AUDITOR-GENERAL

ON

**KERICHO COUNTY ASSEMBLY STAFF CAR
AND MORTGAGE FUND**

**FOR THE YEAR ENDED
30 JUNE, 2017**

PAPERS LAID	
DATE	24/03/2022
TABLED BY	SNW
COMMITTEE	-
CLERK AT THE TABLE	GETRUPÉ





**KERICHO COUNTY ASSEMBLY
(STAFF CAR&MORTGAGE FUND)**

AMMENDED ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2017**

Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)



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KEY ENTITY INFORMATION

Background information

Car Loan and Mortgage Schemes for State Officers and other Public Officers of Government of Kenya

The Salaries and Remuneration Commission (SRC) in fulfilment of its constitutional mandate and in exercise of the powers conferred to it under Article 230 of the Constitution and Section 13 of the Salaries and Remuneration Commission Act, 2011 has set and advised on the Car Loan and Mortgage benefits for all State Officers and other public officers in Kenya.

The approved Car Loan and Mortgage Scheme benefits are expected to facilitate State Officers and public officers to benefit from Government funded loans to purchase cars and access mortgage facilities.

It is expected that implementation of the benefits will motivate public officers and immensely contribute towards attraction and retention of requisite skills in the public service in line with the constitutional principles under Article 230(5) of the constitution.

The approved benefits will be applied to the intended beneficiaries within the following guidelines;

1. SCOPE AND ELIGIBILITY

The scope of the Car Loan and Mortgage Scheme shall include all State Officers and other Public Officers who are currently not enjoying these benefits and are employed on permanent and pensionable basis for public servants and for State Officers who are either on full time or on part-time basis.

2. COMMENCEMENT DATE

The commencement date shall be 1st January 2015

3. IMPLEMENTATION AND ADMINISTRATION OF THE BENEFITS

The Car and Mortgage Scheme for State Officers serving in the Executive arm of Government and the Independent Constitutional Commissions shall be administered and managed centrally by the National Treasury.

Due to management efficiency, the Car Loan and Mortgage Scheme benefits for other public officers shall be administered and managed by individual Government Institutions and Agencies such as Commissions, Independent Offices, State Corporations, County Governments, Statutory Bodies and Ministries Independently for their employees.

County Assembly of Kericho has prepared appropriate Regulations to Guide the implementation of the benefits for its employees-The Public Finance Management (Kericho County Assembly Members Mortgage Scheme Fund)(AMENDMENT) Regulations,2016.

4. FINANCING

The National Treasury shall provide requisite funds through the MTEF budget process to operationalize the Car Loan and Mortgage Scheme for the State Officers and other public officers. Individual state agencies employing public officers shall make request for budgetary provisions by the National Treasury to operationalize the Car Loan and Mortgage Schemes for their employees. County Government shall set aside the necessary funds through their budget process towards implementation of the Car Loan and Mortgage Benefits to their employees.

Financing may also be arranged through agreements between Financial Institutions and the individual government agency/organ within agreeable framework to both parties.

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For the year ended June 30, 2017

Each Government agency/organ will administer and manage the schemes internally and the same shall be subjected to the annual audit of Government.

5. THRESHOLDS

The various cadres of staff specified in the first column in the table bellow shall be entitled to maximum amount specified in the second column, subject to review by the salaries and Remuneration Commission-

For Mortgage Loan;

Beneficiaries	Mortgage Amount
Civil/Public Service Grade S,T,U	Up to Ksh.20 Million
Civil/Public Service Grade P,Q,R	Up to Ksh.15Million
Civil/Public Service Grade K,L,M,N	Up to Ksh.10 Million
Civil/Public Service Grade G,H,J	Up to Ksh.6 Million
Civil/Public Service Grade A,B,C,D,E,F	Up to Ksh.4Million

For Car Loan;

Beneficiaries	Car Loan Amount
Civil/Public Service Grade S,T,U	Up to Ksh.4Million
Civil/Public Service Grade P,Q,R	Up to Ksh.3Million
Civil/Public Service Grade K,L,M,N	Up to Ksh.1.5 Million
Civil/Public Service Grade G,H,J	Up to Ksh.800,000
Civil/Public Service Grade A,B,C,D,E,F	Up to Ksh.600,000

6. INTEREST RATE CHARGE

The rate of interest applicable to both the Car Loan and Mortgage Scheme shall be three (3%) per annum on a reducing balance for the duration of the loan.

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7. DURATION AND TERMINATION OF THE SCHEME

The duration of the scheme shall be a maximum of twenty (20) years for mortgage schemes and five(5) years for Car Loan.

Where a state officer or public officer leaves public service employment for whatever reason other than disciplinary grounds, the terms of the loan remains in force and does not change for the life of the loan unless in cases of default in which case it reverts to commercial terms.

Principal Activities

The principal activity of the *fund* is to enable staff members better their lives so as to provide quality services to the county Assembly. In line with vision 2030 and in accordance with Big 4 agenda, staff members will be able to have better houses to live in and better means of transport.

STAFF CAR&MORTGAGE FUND BOARD OF MANAGEMENT

NO	NAME	DESIGNATION
1	Hon.DanielRono	Chair-Person
2	Hon.BrendaBii	Vice Chair-Person
3	Hon.Benard Mutai	Member
4	Hon.KipronohChumo	Member
5	Mr.MartinEpus	Member
6	Mr.AggreyKirui	Member
7	Mrs.SharonMibey	Member
8	Mr.JosphatMibei	Secretariat

All the above members were appointed on 11th November, 2016 after their names were approved by the committee of the whole House in County Assembly of Kericho.

Kericho County Assembly

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For the year ended June 30, 2017

SIGNATORIES

1. Mr.Patrick Martin Epus	Clerk to the County Assembly of Kericho
2. Mrs.Sharon Mibey	Deputy clerk
3. Mr.AggreyKirui	Principal Finance Officer

Registered Office

Kericho County Assembly Headquarters

P.O. Box 1526-20200

Kericho.

Kericho-Nakuru Highway

Kericho County Assembly Contacts

Mobile No. 0745169000

E-mail: kcoassembly@gmail.com

Website: www.assembly.kericho.go.ke

Kericho County Assembly

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For the year ended June 30, 2017

Entity Bankers

1. Kenya Commercial Bank,
P.O BOX
NAIROBI.

Independent Auditors

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

Principal Legal Advisers

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

Kericho County Assembly

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For the year ended June 30, 2017

1. REPORT OF THE FUND ADMINISTRATOR

This is the Financial Statement for Kericho County Assembly Car Loan and Mortgage Fund for the financial period ended 30th June, 2017. This report was prepared and presented as required by Section 168 of the *Public Financial Management (PFM) Act 2012*. The report expounds on the expenditure incurred by the Kericho County Assembly in staff car loan and Mortgage provision.

The guiding regulations are the Kericho County Assembly Members Mortgage Scheme Fund regulations of 2016 in line with the Salary and Remunerations Commission. The Fund Administrator is the Clerk to the County Assembly of Kericho and its primary purpose is to advance loans to staff for purchase of motor vehicles and mortgage.

The key challenges noted during the period included delay in release of funds by the National Treasury.



.....
Martin Epus,

Clerk to the County Assembly



Kericho County Assembly

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For the year ended June 30, 2017

2. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Kericho County Assembly Members Mortgage Scheme Fund regulations of 2016 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2017. 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 Fund; (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 mis-statements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Kericho County Assembly Members Mortgage Scheme Fund regulations of 2016. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2017, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator

Kericho County Assembly
Annual Reports and Financial Statements
For the year ended June 30, 2017

to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved and signed on _____ :



Clerk to the County Assembly



Kericho County Assembly

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For the year ended June 30, 2017

Auditors

The Auditor General is responsible for the statutory audit of the *entity* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30, 2017.

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KERICHO COUNTY ASSEMBLY STAFF CAR AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kericho County Assembly Staff Car and Mortgage Fund set out on pages 13 to 23, which comprise of the statement of financial position as at 30 June, 2017, statement of profit and loss and other comprehensive income, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kericho County Assembly Staff Car and Mortgage Fund as at 30 June, 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Inaccuracies in the Financial Statements

The statement of financial position as at 30 June, 2017 reflects a bank balance of Kshs.309,800. However, the bank reconciliation statement for the month of June, 2017 revealed that the reconciled cash book balance was Kshs.215,720 resulting to an overstatement of the reported bank balance by Kshs.94,080. Further, the statement of financial position and Note 12 to the financial statement reflects cash and cash equivalents total amount of Kshs.1,125,468 while the statement of cash flows reflects a balance of Kshs.309,800. The resulting variance of Kshs.815,668 which equals to the amount of cash in transit was not reconciled.

Consequently, the accuracy and completeness of the financial statements as at 30 June, 2017 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kericho County Assembly Staff Car and Mortgage 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted revenue and expenses on comparable basis of Kshs.20,296,000 and Kshs.211,517 respectively, resulting to a variance of Kshs.20,084,483. No reason was provided for the unbalanced budget contrary to Section 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that budget revenue and expenditure appropriations shall be balanced. Further, explanations on variances exceeding 10% were not provided in the statement as required.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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. Late Submission of Financial Statements

The financial statements for the year under review were submitted for audit on 12 March, 2020 being two (2) years and five (5) months after the statutory submission deadline. No explanation was provided for the long delay.

Consequently, the Management was in breach of the law.

2. Adoption of Incorrect Reporting Framework

The financial statements for the year ended 30 June, 2017 were prepared in accordance with the accrual basis of accounting method under the International

Financial Reporting Standards (IFRS) instead of under International Public Sector Accounting Standards (IPSAS).

Consequently, the financial statements did not comply with the template as prescribed by the Public Sector Accounting Standards Board.

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, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. 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 (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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability 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 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 overall 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 audit is planned and performed 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.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 non-compliance. 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 policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgment 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 applicable 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 Fund's ability to continue 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 Fund to cease to continue 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 Fund 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

07 February, 2022

Report of the Auditor-General on Kericho County Assembly Staff Car and Mortgage Fund for the year ended 30 June, 2017