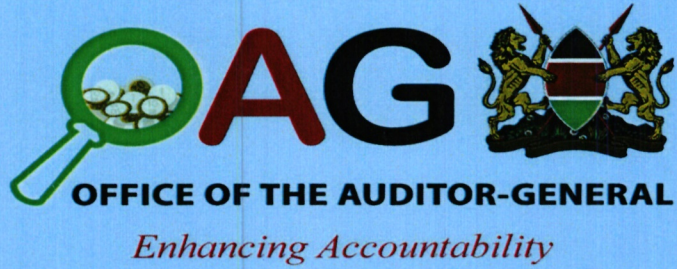


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REPORT

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THE AUDITOR-GENERAL

ON

**KERICHO COUNTY ENTERPRISE
FUND**

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

PAPERS LAID	
DATE	09/03/2022
TABLED BY	CSML
COMMITTEE	—
CLERK AT THE TABLE	CHEROP C.



COUNTY GOVERNMENT OF KERICHO
FINANCIAL STATEMENTS
KERICHO COUNTY ENTERPRISE FUND
FOR THE PERIOD ENDED
30.06.2017

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



FOREWORD

This is the County Government of Kericho Quarterly Financial Report for the 2nd Quarter in the 2016-2017 financial period ending 31st Mar, 2017 for the Enterprise Fund. This report was prepared and presented as required by Section 168 of the *Public Financial Management (PFM) Act 2012*. The report expounds from national equitable share alongside the expenditure incurred by the county government in advancing loans for groups for purposes of promoting entrepreneurship.

The Constitution of Kenya Articles 2010 gives a constitutional right and requirement for the public to participate in budgetary process and prudent financial management of the public resources. According to the County Government Act, 2012 each county shall prepare a county integrated plan which shall be the basis for all budgeting and spending of public funds. The acts clearly states that "A county government shall plan for the county and no public funds shall be appropriated outside a planning framework developed by the County Executive Committee and approved by the County Assembly" The county integrated plan shall focus on economic, physical, social, environmental and spatial planning.

The guiding legislation is the Kericho County Enterprise Fund Act, 2014 which was assented to on 21 June 2014 and commenced on 1 July, 2014. The Fund Administrator is Chief Officer Finance and Economic Planning and its primary purpose is support micro and small enterprises through loans, training and technical assistance..

It is expected that this report will enable the county government to adequately monitor the challenges faced in budget implementation and use the lessons learnt in future economic forecasts. In addition, the report expounds on the actionable steps to be taken by all stakeholders in the subsequent reporting periods.

CHALLENGES, WAY FORWARD AND CONCLUSION

Key challenges

The following key challenges were noted during the quarter.

- a) Non repayment of advances to groups
- b) Lack of follow up and cooperation by the relevant technical departments

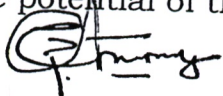
Way Forward

The County Treasury considers the following suggestions as a way forward for challenges faced to speed up loan recovery process

- a) Timely follow up on beneficiaries
- b) Proper and timely training before funds disbursements.
- c) Engagement of financial intermediary to follow up recoveries of loan advances.

Conclusion

The recoveries of loans disbursed of the 2016-2017 financial cycle will be greatly determined by enforcement and proper follow up. In addition, delay in funding from the national government continues to impact negatively on execution projects which may eventually lead to pending bills. The execution of the budget and the service delivery for citizens of the County Government will be achieved through collaboration of all the stakeholders in the national and county levels to bring out the potential of the County Government of Kericho.



Patrick Mutai

**County Executive Committee Member- Finance and Economic Planning and
Head of County Treasury**

STATEMENT OF MANAGEMENT RESPONSIBILITIES

Section 166 of the PFM Act requires that an Accounting Officer for a County Government entity prepares a report for each quarter of the financial year in respect of the entity. The County Executive Committee (CEC) member for finance being the head of the County Treasury is responsible for the preparation and presentation of the County Government of Kericho financial statements, which give a true and fair view of the state of affairs of the County Government of Kericho for and as at the end of the quarter ended on 30.06.2017. 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 County Government of Kericho; (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 of Kericho 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 this report gives a true and fair view of the state of the County Government's transactions during the quarter ended 30.06.2017, 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 this report 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 quarter 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

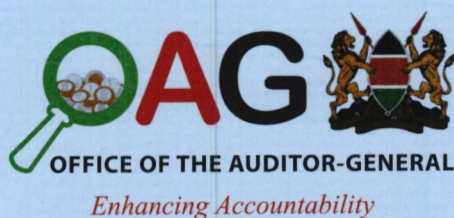
The County Government's financial statements were approved and signed by the CEC member for finance on 10.07.2017.



County Executive Committee member – Finance and Economic Planning

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON KERICHO COUNTY ENTERPRISE FUND FOR THE YEAR ENDED 30 JUNE, 2017

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Kericho County Enterprise Fund set out on pages 5 to 7, which comprise of the statement of financial assets as at 30 June, 2017, and the statement of receipts and payments 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. Presentation of Financial Statements

A review of the financial statements for the year ended 30 June, 2017 revealed the following: -

- i. The financial statements were prepared in accordance with International Public Sector Accounting Standards (IPSAS) cash basis of accounting instead of accrual basis.
- ii. The financial statements lacked the following information:
 - a) Key entity information by management;
 - b) The board of trustees report (or any other corporate governance body);
 - c) Management team;
 - d) Board/ fund chairperson's report;
 - e) 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 cash flows;
- m) Statement of comparison of budget and actual amounts;
- n) Summary of significant accounting policies.

Consequently, the financial statements presented for audit for the year ended 30 June, 2017 did not comply with the International Public Sector Accounting Standard No.1 as prescribed by the Public Sector Accounting Standards Board.

2. Loans Disbursement

The statement of receipts and payments and Note 4 to the financial statements reflects a loan disbursement balance of Kshs.3,973,500. However, the balance was not supported with the register of beneficiaries, minutes of the management committee on how beneficiaries were selected, payment vouchers and agreements with beneficiaries. Further, the outstanding balance of unpaid loans was not disclosed in the financial statements at the end of the year.

In the circumstances, the completeness and validity of the loan disbursement balance of Kshs.3,973,500 for the year ended 30 June, 2017 could not be confirmed.

3. Use of Goods and Services

The statement of receipts and payments and Note 5 to the financial statement reflects use of goods and services balance of Kshs.2,086,400. However, this amount was not supported with ledgers, schedules or payment vouchers.

Consequently, the accuracy and validity of the use of goods and services total balance of Kshs.2,086,400 for the year ended 30 June, 2017 could not be confirmed.

4. Cash and Cash Equivalents

The statement of financial assets and Note 6 to the financial statements reflects a total bank balance of Kshs.12,406,928 as at 30 June, 2017. However, the bank reconciliation statements and bank confirmation certificates in support of the amount were not provided for audit review.

Under the circumstances, the accuracy, existence and validity of the cash and cash equivalents total balance of Kshs.12,406,928 as at 30 June, 2017 could not be confirmed.

5. Late Submission of Financial Statements

The financial statements for the year ended 30 June, 2017 were submitted and received by the Office of the Auditor General on 3 March, 2020. This is contrary to Section 47 of the Public Audit Act, 2015, which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

The Management was therefore in breach of the Law.

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 systems 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability 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 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

My responsibility is to conduct an audit of the 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 on effectiveness of internal controls, risk management and governance.

I am independent of the Kericho County Enterprise 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

07 February, 2022

COUNTY GOVERNMENT OF KERICHU
 Enterprise Funds Financial Statements
 As at 30st June 2017

KERICHO COUNTY ENTERPRISE FUND

STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017		2015-2016	
		01	02	01	02
		Kshs	Kshs		Kshs
RECEIPTS					
Loan Repayment	1	148,950.00	4,010,886.00	352,234.00	6,779,295.00
Unspent funds	2	7,825,129.00	6,593,277.00	96,488,644.00	-
TOTAL RECEIPTS		7,974,079.00	10,604,163.00	96,840,878.00	6,779,295.00
PAYMENTS					
Reversal	3	2,925.00	70,699.00	161,300.00	27,850.00
Loan Disbursement	4	3,973,500.00	-	80,373,180.00	-
Use of goods and services	5	2,086,400.00	-	8,458,555.00	152,600.00
Other Payments (Tax deducted)	6	17,154.00	20,636.00	22,714.00	5,631.00
TOTAL PAYMENTS		6,079,979.00	91,335.00	89,015,749.00	186,018.00
SURPLUS/DEFICIT		1,894,100.00	10,512,828.00	7,825,129.00	6,593,277.00

COUNTY GOVERNMENT OF KERICHO
 Enterprise Funds Financial Statements
 As at 30st June 2017

STATEMENT OF RECEIPTS AND FINANCIAL ASSET

	Note	2015-16		2016-2017	
		01	02	01	02
FINANCIAL ASSETS		Kshs	Kshs		
Cash and Cash Equivalents					
Bank Balances	7	1,894,100.00	10,512,828.00	7,825,129.00	6,593,277.00
TOTAL FINANCIAL ASSETS		1,894,100.00	10,512,828.00	7,825,129.00	6,593,277.00
FINANCIAL LIABILITIES					
Accounts Payables – Deposits and retentions					
NET FINANCIAL ASSETS					
REPRESENTED BY					
Fund balance b/fwd					
Surplus/Deficit for the Year		1,894,100.00	10,512,828.00	7,825,129.00	6,593,277.00

COUNTY GOVERNMENT OF KERICHO

Enterprise Funds Financial Statements

As at 30st June 2017

NOTES TO THE FINANCIAL STATEMENTS

1-EXCHQUER RELEASES

Loan repayment at the end of the financial year for account 1 was Kshs 4,010,886.00 and Kshs .148, 950.00 for account 2 see annex 1 and 2 respectively.

2 OPENING BALANCES

At the beginning of the financial year the opening balance was Ksh 7,825,129.00 for account 1 and Ksh 6,593,277.00 for account 2 as seen in the attached documents in Annex 1 and 2 respectively

3 REVERSAL

A total of Kshs 70,699.00 for account 1 and kshs 2,925.00 for account 2 was a reversal done due to deposits to a wrong account as shown in attached annex 1 and 2

4 LOAN DISBURSEMENT

A total of Ksh **3,973,500.00** in account 2 was loan disbursement as evidenced in Annex 2

5-USE OF GOODS AND SERVICES

Expenditure incurred as at end of the year amounts to Ksh 2,086,400 for account 2 as seen in Annex II.

6-CASH AND CASH EQUIVALENTS

This means therefore that the balance as at end of the year was Kshs. 10,512,828.00 for account 1 and Kshs.1,894,100.00 for account 2 as evidenced in Annex 1 and 2 respectively

001 - 2016/17

Statement For Period 01/07/2016 To 30/06/2017

Curr : KES Account : 74908/500UCA00/1/0

Branch : 10 - KERICHO

Address : KERICHO COUNTY ENTERPRISE FUND

P.O. Box 112 KERICHO

20200

KERICHO

Name : 1) KERICHO COUNTY ENTERPRISE FUND

2)

3)

4)

5)

6)

Date	Description	Reference	Value Date	Money Out	Money In	Balance
0/06/2016	OPENING BALANCE		30/06/2016	-	-	7,825,129.00
07/07/2016	I.D NO 23528293 ROBERT KEMEI		04/07/2016	-	1,700.00	7,826,829.00
07/07/2016	I.D NO 13103739 HENRY ROGONYI		04/07/2016	-	1,250.00	7,828,079.00
5/07/2016	I.D NO 31575441 FANCY CHEROTICH		05/07/2016	-	2,000.00	7,830,079.00
07/07/2016	I.D NO 11796329 RICHARD		06/07/2016	-	1,200.00	7,831,279.00
07/07/2016	ID 6007200 PHELEMON LANGAT		11/07/2016	-	1,250.00	7,832,529.00
07/07/2016	I.D NO 3823236 EDNAH CHERONO		11/07/2016	-	1,700.00	7,834,229.00
07/07/2016	I.D NO 0098258 JACKSON MITEL		12/07/2016	-	2,500.00	7,836,729.00
07/07/2016	I.D NO 2358119 ESTHER TONUI		12/07/2016	-	1,250.00	7,837,979.00
5/07/2016	ID 3820552		15/07/2016	-	1,200.00	7,839,179.00
08/08/2016	I.D NO 6024954		09/08/2016	-	800.00	7,839,979.00
5/08/2016	EDNA CHERKORIR CHUMU		15/08/2016	-	1,500.00	7,841,479.00
1/08/2016	I.D NO 28704385		31/08/2016	-	625.00	7,842,104.00
09/09/2016	REV W/ONG ENTY ID NO 28704384		01/09/2016	-800.00	-	7,841,304.00
1/09/2016	REV W/ONG ENTY EDNA CHERKORIR CHUMU		01/09/2016	-1,500.00	-	7,839,804.00
09/09/2016	REV W/ONG ENTY ID NO 28704385		01/09/2016	-625.00	-	7,839,179.00
09/09/2016	I.D NO 3870669 MORAH C STELE		03/09/2016	-	3,200.00	7,842,379.00
09/09/2016	INTEREST FOR 30/09/2016		30/09/2016	-	39,212.00	7,881,591.00
09/09/2016	TAX DEDUCTED		30/09/2016	-5,882.00	-	7,875,709.00
10/10/2016	GHQ ISSUED	33	17/10/2016	-114,000.00	-	7,761,709.00
01/11/2016	ORIGBRCD = 99 MPESA CREDIT 31.10.2016 VILIBYA CHEPKWONY 0729724795		01/11/2016	-	835.00	7,762,544.00
01/11/2016	ORIGBRCD = 99 MPESA CREDIT 31.10.2016 BENARD BORE 0703935141		01/11/2016	-	1,200.00	7,763,744.00
11/11/2016	ORIGBRCD = 99 MPESA CREDIT 31.10.2016 MOSES TONUI 0710960839		01/11/2016	-	2,500.00	7,766,244.00
1/11/2016	ORIGBRCD = 99 MPESA CREDIT 30.10.2016 JOEL TONUI 738700 0724978527		01/11/2016	-	834.00	7,767,078.00
11/11/2016	HANDYCAP BIDII		26/11/2016	-	2,800.00	7,769,878.00
1/12/2016	INTEREST FOR 31/12/2016		31/12/2016	-	38,849.00	7,808,727.00
12/12/2016	TAX DEDUCTED		31/12/2016	-5,827.00	-	7,802,900.00
02/02/2017	CASH WITHDRAWAL	34	16/02/2017	-228,500.00	-	7,574,400.00
03/03/2017	LOAN DISBURSEMENT OF THE SECOND TRANCHE	35	06/03/2017	-2,201,400.00	-	5,373,000.00
03/03/2017	INTEREST FOR 31/03/2017		31/03/2017	-	26,865.00	5,399,865.00
03/03/2017	TAX DEDUCTED		31/03/2017	-4,030.00	-	5,395,835.00
04/04/2017	ID 1793557 ESTHER C. KOSKE		10/04/2017	-	1,250.00	5,397,085.00
04/04/2017	LOAN DISBURSED SECOND TRANCHE KCO ENT.	36	13/04/2017	-1,772,100.00	-	3,624,985.00
1/04/2017	ID 7639758 ANNAH CHEBII		20/04/2017	-	1,000.00	3,625,985.00