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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**WEST POKOT COUNTY CAR LOAN AND  
MORTGAGE SCHEME FUND**

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

PAPERS LAID	
DATE	15-02-2022
TABLED BY	LEADER OF MAJORITY
COMMITTEE	-
CLERK AT THE TABLE	M. APSIBODU





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**COUNTY GOVERNMENT OF WEST POKOT**  
**WEST POKOT COUNTY CAR LOAN AND MORTGAGE MEMBERS SCHEME FUND**  
**REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDING**  
**JUNE 30, 2019**

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

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## 1.0 KEY COUNTY GOVERNMENT OF WEST POKOT INFORMATION AND MANAGEMENT

### (a) Background information

The County Government of West Pokot is established by Article 176 of the Constitution of Kenya 2010 which provides that there shall be a county government for each county consisting of the County Assembly and County Executive.

In exercise of the powers conferred by section 116 of the Public Finance Management Act, 2012, the County executive committee member responsible for finance makes the public finance Management (West Pokot County Car loan and Mortgage (members) Scheme fund regulations, 2016.the object of the is to enable car loan and mortgage to be advanced to the members of the scheme as may be prescribed by the Salaries and Remuneration Commission.

### (b) Key Management

The Fund is managed under the Department of Finance and Economic Planning headed by County Executive Committee Member responsible for finance who is the chair person for the fund. The Chief Officer for Finance is the Fund Administrator who is also secretary to the fund committee.

### (a) Fiduciary Management

The County Treasury is generally responsible for fiduciary management of financial resources of the County Government of West Pokot to be utilized for the benefit of the people of West Pokot County. The Public Finance Management Act, 2012 mandates the County Executive Committee member to designate accounting officers from county officers as fund administrators who are generally responsible for the administration of the funds.

During 2018/19 financial year, **Mr. Mr. Luka Chepelion was** the County Executive Committee Member for Finance and Economic Planning. However, **Mr. Augustine Chemonges Loile** replaced him in a reshuffle made by the County Governor on **3<sup>rd</sup> September 2019**.

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2018 and who had direct fiduciary responsibility were:

No	Name	Designation
1.	Augustine Chemonges Loile	CECM for Finance and Economic Planning
2	Richard K. Koech	Chief Officer for Finance/Fund Administrator

**(b) Fiduciary Oversight Arrangements**

The West Pokot County Car loan and Mortgage (members) Scheme fund is subject to adequate oversight from various institutions mandated with that responsibility. The following are fiduciary oversight arrangements application to the county government.

**i. The County Assembly of West Pokot**

Article 185 Clause 3 provides that a county assembly, while respecting the principle of the separation of powers, may exercise oversight over the county executive committee and any other county executive organs. The oversight role of the county assembly is exercised directly by all members of the county assembly and through county assembly committees. The following are the important committees responsible for oversight in the County Assembly:

- Public Accounts and Investment Committee
- Sectoral Committees
- Finance and Planning Committee
- Implementation Committee
- House Business Committee

**ii. Controller of Budget**

Clause 4 of Article 228 of the Constitution of Kenya provides that the Controller of Budget shall oversee the implementation of the budgets of the National and County Governments by authorizing from public funds. The Controller of Budget is also mandated to inquire into any matter which may be brought to her attention or which she considers necessary in the process of budget implementation.

**iii. The Senate**

The Senate by virtue of its constitutional mandate has secondary oversight responsibility over County Governments. The County Public Accounts and Investment Committee of the Senate has been directly involved in oversight over County Governments.

**(c) County Government of West Pokot Headquarters**

P.O. Box 222 - 30600  
Office of the Governor  
Off Kapenguria County Hospital Road  
Kapenguria, KENYA

**(d) County Government of West Pokot Contacts**

Telephone: (254) 0532014000  
E-mail: [info@westpokot.go.ke](mailto:info@westpokot.go.ke)  
Website: [www.westpokot.go.ke](http://www.westpokot.go.ke)

**(e) County Government of West Pokot Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya
2. Kenya Commercial Bank  
Kapenguria Branch,  
P.O Box 66 - 30600  
**KAPENGURIA**
3. Equity bank  
Kapenguria Branch  
P.O Box 75104  
**KAPENGURIA**
4. Cooperative Bank of Kenya Ltd  
Kitale Branch  
P.O Box 1058 – 0200  
**KITALE**

**(f) Independent Auditors**

Auditor-General  
Office of the Auditor-General  
Anniversary Towers, University Way  
P.O. Box 30084 - 00100  
Nairobi, Kenya

**(g) Principal Legal Adviser**

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



## **2.0 FORWARD**

The financial statements of the West Pokot County Car Loan and Mortgage members' scheme fund have been prepared in compliance with section 164 of the Public Finance Management Act, 2012 which requires that the accounting officer of a County Government Entity shall prepare financial statements in respect of the entity in formats to be prescribed by the Accounting Standards Board. The Act also requires the financial statements to be submitted to the Auditor-General within three months after the end of the financial year.

### **a) Value-for-Money considerations**

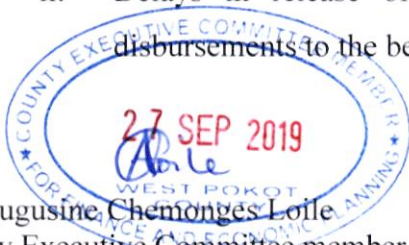
The fund enables its members to acquire assets creating value addition in the economy and therefore nothing has come to the attention of the County Executive Committee member for Finance to indicate that value for money has not been achieved in the disbursements of the fund.

### **b) Challenges experienced**

The achievements of the County Government were realized under various constraints and challenges as outlined below:

- i. Inadequate budgetary provision thus majority of the members intending to benefit from the Mortgage and Car loan facility are left out due to limited financial resources allocated to the fund compared with existing needs.
- ii. Delays in release of funds by National Treasury hence delay to release disbursements to the beneficiaries.

Mr. Augustin Chemonges Loile  
County Executive Committee member  
**Finance and Economic Planning**



**I. STATEMENT OF COUNTY GOVERNMENT OF WEST POKOT  
MANAGEMENT RESPONSIBILITIES**

Section 163,164and 165 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the County Treasury shall prepare financial statements of each County Government entity, receiver of revenue and consolidated financial statements for all county entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board of Kenya

The County Executive Committee for Finance and Economic Planning of the County Government of West Pokot is responsible for the preparation and presentation of the West Pokot County Car Loan and Mortgage members' scheme fund financial statements, which give a true and fair view of the state of affairs of the County Government of West Pokot mortgage and car loan fund for and as at the end of the financial year (period) ended on June 30, 2019. 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 West Pokot County Car Loan and Mortgage members' scheme 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 misstatements, whether due to error or fraud; (iv) safeguarding the assets of the West Pokot County Car Loan and Mortgage members' scheme fund ; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The CEC member Finance and Economic Planning accepts responsibility for the West Pokot County Car Loan and Mortgage members' scheme fund financial statements, for the fund 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 Finance and Economic Planning is of the opinion that the West Pokot County Car Loan and Mortgage members' scheme fund financial statements for the fund give a true and fair view of the state of West Pokot County Car Loan and Mortgage members' scheme fund transactions for the fund during the financial year ended June 30, 2019, and of the West Pokot County Car Loan and Mortgage members' scheme fund financial position of the fund as at that

**West Pokot County Executive Car Loan and Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ending June 30, 2019 (Kshs)**

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date. The CEC member for Finance and Economic Planning of the County Government of West Pokot further confirms the completeness of the accounting records maintained for the West Pokot County Car Loan and Mortgage members' scheme fund which have been relied upon in the preparation of the West Pokot County Car Loan and Mortgage members' scheme fund financial statements for the fund as well as the adequacy of the systems of internal financial control.

The CEC member for Finance and Economic Planning of the County Government of West Pokot confirms that the West Pokot County Car Loan and Mortgage members' scheme fund has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the West Pokot County Car Loan and Mortgage members' scheme funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the CEC member for Finance and Economic Planning confirms that the West Pokot County Car Loan and Mortgage members' scheme fund financial statements for the fund 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 27-09-2019.

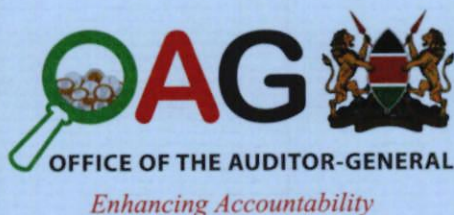


County Executive Committee member

Finance and Economic Planning

# REPUBLIC OF KENYA

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Anniversary Towers  
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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON WEST POKOT COUNTY CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2019**

### REPORT ON THE FINANCIAL STATEMENTS

#### **Disclaimer of Opinion**

I have audited the accompanying financial statements of West Pokot County Car loan and Mortgage Scheme Fund set out on pages 9 to 17, which comprise of the statement of assets and liabilities as at 30 June, 2019, statement of receipts and payments, statement of cash flows 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 do not express an opinion on the accompanying financial statements of the West Pokot County Car Loan and Mortgage Scheme Fund. 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 the Financial Statements**

The financial statements for the year under review did not include the following information/statements which are mandatory as per the revised 2019 template/formats for presentation of Funds annual reports and financial statements as prescribed by the Public Sector Accounting Standard Board (PSASB):

- i. The statements were prepared in accordance with International Public Sector Accounting Standards (IPSAS) cash basis of accounting instead of accrual basis,
- ii. The statement of financial performance is indicated as statement of income and expenditure,
- iii. The statement of financial position is referred to as statement of assets and liabilities and is indicated as relating to 2018,
- iv. The statement of income and expenditure does not indicate note numbers that support the figures.
- v. The statement of changes in net assets, statement of comparison of budget and actual amounts and progress on follow up of auditor recommendation have been omitted.

- vi. The table of contents on page 1 of the financial statements does not include the statement of assets and liabilities on page 10 and statement of cash flow on page 11.

In the circumstances, the annual report and the financial statements prepared and presented for the year ended 30 June, 2019 do not conform to the prescribed reporting format of IPSAS accrual basis.

## **2.0 Inaccuracies in the Financial Statements**

### **2.1 Statement of Income and Expenditure**

The statement of income and expenditure reflects total receipts of Kshs.49,000,000 which is at variance with confirmed figure of Kshs.49,286,688 resulting to a variance of Kshs.286,688 that was not been explained or reconciled. In addition, the statement reflects transfers from repayment account balance of Kshs.49,000,000 whereas the supporting schedule indicates an amount of Kshs.39,500,000 resulting to an unexplained variance of Kshs.9,500,000. Further, the statement reflects disbursements to members of Kshs.49,000,000 whereas the financial records indicate a balance of Kshs.35,500,000 resulting to an unreconciled variance of Kshs.13,500,000.

### **2.2 Statement of Cash Flows**

The statement of cash flow reflects cash and cash equivalent balance of Kshs.24,304,983 while the statement of assets and liabilities reflects a balance of Kshs.8,552,604 resulting to a variance of Kshs.15,752,379 which was not reconciled or explained.

Consequently, the accuracy and completeness of the Fund's financial statements as at 30 June, 2019 could not be confirmed.

## **3.0 Disbursements to Members**

The statement of income and expenditure for the year ended 30 June, 2019 reflects an amount of Kshs.49,000,000 in respect of loans disbursed to members comprising of Kshs.31,500,000 and Kshs.4,000,000 for mortgage and car loan respectively. However, copies of designs, bills of quantities and official search of the titles and certified copies of the sale agreements were not provided for audit verification. Additionally, there was no documentary evidence provided to confirm that the ownership documents had been registered charge or joint registration with the County Government as required by Section 18 of the Public Finance Management (West Pokot County Car Loan and Mortgage (Members)Scheme Fund) Regulations, 2016.

Further, the application forms were not processed and signed by the Mortgage Loans Management Committee as required, there was no authorization of funds transfer by the Fund Administrator and there were no valuation reports on the value of the land on which the residential property was to be developed.

In addition, there were no mortgage protection insurance policy and a fire policy with an approved insurance firm as required section 19(1)(2) of the regulations and the original documents relating to the properties financed by the loan from the Fund were not availed for audit verification.

Moreover, the purchase agreement together with the log book for the purchased cars of Kshs.4,000,000 were also not provided for audit review contrary to Section 10(2) of the Public Finance Management (West Pokot County Car Loan and Mortgage (Members) Scheme Fund) Regulations, 2016.

In view of the foregoing, the Management is in breach of the law and in the event of default there is a possibility that the loans of Kshs.49,000,000 may not be recovered.

#### **4.0 Expensing of Loans to Members.**

The statement of income and expenditure reflects an amount of Kshs.49,000,000 in respect of loans disbursed to members. However, the loans were expensed instead of being reflected as a receivable in the statement of assets and liabilities contrary to the Section 116(8) of the Public Finance Management Act, 2012 that requires the Administrator of a County Fund to ensure that the accounts for the Fund and the annual financial statements relating to those accounts comply with the accounting standards prescribed and published by the Public Sector Accounting Standards Board.

Under the circumstances, Management is in breach of the law and the accuracy and completeness of both the statement of income and expenditure and statement of assets and liabilities for the year ended 30 June, 2019 could not be confirmed.

#### **5.0 Accounts Receivables - Outstanding Loans/Interest**

The statement of assets and liabilities reflects a balance of Kshs.65,247,482 in respect of accounts receivables - outstanding loan/interest for loans disbursed during the year under review. Further, the statement reflects a figure of Kshs.95,000,000 in respect of opening accounts receivables - outstanding loan/interest. This balance excludes accounts receivable-outstanding loan/ interest of Kshs.73,000,000 from the financial year 2016/2017 and the Fund Administrator did not provided evidence that the amount was recovered from the beneficiaries.

Consequently, the validity and accuracy of the figure of Kshs.65,247,482 in respect of accounts receivables - outstanding loan/interest as at 30 June, 2019 could not be ascertained.

#### **6.0 Lack of Approved Budget**

The statement of income and expenditure reflects total receipts of Kshs.49,286,688 and total payments of Kshs.49,004,175 respectively. However, the Management did not provide the approved budget contrary to Section 149(2)(h) of the Public Finance Management Act, 2012, which requires the accounting officer to prepare estimates of the expenditure of the entity in conformity with strategic plan and Section 149(2)(i) which requires the accounting officer to submit the estimates of an entity which is not a county corporation to the County Executive Committee member for Finance.

The Management of the Fund is in breach of the law and the propriety of the total payments of Kshs.49,004,175 could not be confirmed.

## **7.0 Unsecured Loans**

As previously reported, an amount of Kshs.77,500,000 had been disbursed to members in the financial year 2016/2017. However, copies of designs, bills of quantities and official search of the titles and certified copies of the sale agreements were not provided for audit verification. Additionally, the title deeds provided as security for the mortgage of Kshs.62,500,000 did not have registered charge or joint registration with the County Government as required by Section 18 of the Public Finance Management (West Pokot County Car Loan and Mortgage (Members)Scheme Fund) Regulations, 2016.The details are at **Appendix I**.

Further, out of the balance of disbursements to members, an amount of Kshs.15,000,000 and Kshs.12,000,000 were disbursed to the former Governor and Deputy Governor respectively. However, as at 30 June, 2019, there was no evidence produced for review that the loans were recovered from the two officers as required by Public Finance Management (West Pokot Car Loan and Mortgage (Members) Scheme Fund) Regulations,2016.

Additionally, the purchase agreement together with the log book for the purchased cars of Kshs.15,000,000 were also not provided for audit review contrary to Section 10(2) of the Public Finance Management (West Pokot County Car Loan and Mortgage (Members) Scheme Fund) Regulations, 2016.

In view of the foregoing, the Management is in breach of the law and in the event of default there is a possibility that the loans of Ksh.27,000,000 and Kshs.62,500,000 may not be recovered.

### **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 an 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Funds' 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 entity 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 West Pokot County Car Loan and Mortgage 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

14 January, 2022