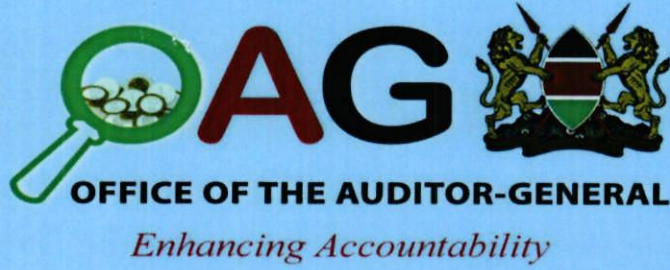


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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KERICHO COUNTY EXECUTIVE STAFF CAR  
LOAN SCHEME FUND**

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

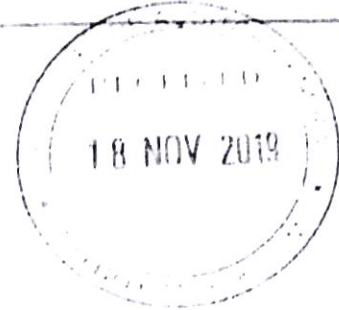
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COMMITTEE	
CLERK AT THE TABLE	Mr. ADJIBODOU



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**COUNTY GOVERNMENT OF KERICHIO**  
**Special Funds Reports and Financial Statements**  
**For the Quarter ended 30<sup>th</sup> Jun, 2019**



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**COUNTY GOVERNMENT OF KERICHIO**  
**FINANCIAL STATEMENTS**  
**KERICHO COUNTY EXECUTIVE STAFF CAR LOAN**

**AS AT**  
**30.6.2019**

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

**COUNTY GOVERNMENT OF KERICHO**  
**Special Funds Reports and Financial Statements**  
**For the Quarter ended 30<sup>th</sup> Jun, 2019**

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**LEGAL BACKDROP**

As set out in Section 166 of the Public Finance Management Act, 2012, an Accounting Officer is required to prepare quarterly reports for County Government entity as follows;

(1) An accounting officer for a county government entity shall prepare a report for each quarter of the financial year in respect of the entity.

(2) In preparing a quarterly report for a county government entity, the accounting officer shall ensure that the report—

- (a) Contains information on the financial and non-financial performance of the entity; and
- (b) Is in a form determined by the Accounting Standards Board.

(3) Not later than fifteen days after the end of each quarter, the accounting officer shall submit the quarterly report to the County Treasury.

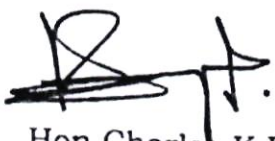
**COUNTY GOVERNMENT OF KERICHO**  
**Special Funds Reports and Financial Statements**  
**For the Quarter ended 30<sup>th</sup> Jun, 2019**

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**1. FOREWORD**

This is the County Government of Kericho Quarterly Financial Report for the 4<sup>th</sup> Quarter in the 2018-2019 financial period ending 30<sup>th</sup> Jun, 2019 for the Staff Car Loan Fund. 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 county government in staff car provision.

The guiding regulations are the Kericho County Executive Staff Car Loan regulations of 2015 in line with the Salary and Remunerations Commission. The Fund Administrator is Chief Officer Economic Planning and its primary purpose is to advance loans to staff for purchase of motor vehicles. The key challenges were noted during the period included improper sale agreements between the seller and the buyer and this can be improved by proper provision of guidelines on how the fund is to be administered.



Hon. Charles K Birech

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

**COUNTY GOVERNMENT OF KERICHO**  
**Special Funds Reports and Financial Statements**  
**For the Quarter ended 30<sup>th</sup> Jun, 2019**

**2. 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 30.6.2019. 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 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 30.6.2019, 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 02.8.2019

  
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County Executive Committee Member – Finance and Economic Planning

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KERICHO COUNTY EXECUTIVE STAFF CAR LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2019**

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### REPORT ON THE FINANCIAL STATEMENTS

#### **Disclaimer of Opinion**

I have audited the accompanying financial statements of Kericho County Executive Staff Car Loan Scheme Fund set out on pages 4 to 6, which comprise the statement of financial assets and statement of receipts and payments as at 30 June, 2019 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. 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**

##### **1.0 Presentation of Financial Statements**

Review of the financial statements for the year ended 30 June, 2019 revealed the following observations: -

- i. The statement of receipts and payments and statement of financial assets were presented per quarter instead of annual amounts. Further, the comparative amounts were omitted from the financial statements.
- ii. The Header on each page of the financial statements reads County Government of Kericho special Funds instead of Kericho County Executive Staff Car Loan Scheme Fund.
- iii. The financial statements were prepared on Cash Basis as opposed to Accrual Basis of accounting.
- iv. The following statements and reports were omitted from the financial statements:
  - The statement of changes in net assets
  - Statement cash flows

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*Report of the Auditor-General on Kericho County Executive Staff Car Loan Scheme Fund for the year ended 30 June, 2019*

- Statement of comparison of budget and actual amounts
- A summary of significant accounting policies
- Statement of performance against county entity's predetermined objectives
- The Board of Trustees
- Key entity information and management
- Report of the Fund Administrator
- Board Chair report
- Corporate governance statement
- Corporate social responsibility statement/sustainability reporting
- Report of the Trustees
- Statement of Management's responsibilities

Consequently, the financial statements do not conform to the reporting requirements prescribed by the Public Sector Accounting Standards Board reporting template for the year ended 30 June, 2019.

## **2.0 Cash and Cash Equivalents**

The statement of financial assets reflects a bank balance of Kshs.2,471,628 as at 30 June, 2019. However, no cashbooks, bank reconciliation statements or bank confirmation certificate were provided for audit verification.

Under the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.2,471,628 as at 30 June, 2019 could not be confirmed.

## **3.0 Car Loan Balances and Recoveries**

The statement of receipts and payments reflects nil recoveries since the inception of the Fund and loan disbursements amounting to Kshs.17,760,722. However, the bank statements provided for audit review indicated that recoveries amounting to Kshs.1,219,591 were made but omitted from the financial statements. Further, the statement of assets did not reflect a car loans issued balance even though the loans are financial assets recoverable through a check off system casting doubt on the accuracy of the financial statements.

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

## **4.0 Failure to Adhere to the Car Loan Scheme Fund Regulations**

Regulation 9(2) of Kericho County Executive Staff Car Loan Scheme Fund Regulations require the log books for the vehicles be in joint ownership between the Kericho County Government and the borrower. However, the log books are yet to be registered in joint ownership with the County Government.



Further, Regulation, 12 of Kericho County Executive Staff Car Loan Scheme Fund Regulations requires the repayments to be effected from the month subsequent from the date of disbursement. A review of the bank statements and records maintained by the Fund revealed that the recoveries were not done as per the regulations as shown below:

Name	Amount of Loan Kshs.	Month of Loan Advancement	Start Date of Loan Recoveries	No. of Months in Arrears
Charles Birech	3,000,550	Jul-2018	Dec-2018	4
George Kirer	1,950,000	Aug-2018	Dec-2018	3
Anthony Koskei	910,722	Aug-2018	Dec-2018	3
Emily Chepkirui Sang	2,000,000	Aug-2018	Dec-2018	3

The Fund Management was therefore in breach of the law.

#### **5.0 Late Submission of Financial Statements for Audit**

The financial statements for the year ended 30 June, 2019 were submitted to the Auditor-General for audit on 18 November, 2019 a delay of one and half months after the statutory deadline of 30 September, 2019. This is contrary to Section 47 of the Public Audit Act, 2015 which requires that financial statements be submitted to the Auditor-General within three (3) 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 and overall 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.

In preparing the financial statements, Management is responsible for assessing the Funds 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 manner.

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 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 Executive Staff 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


13 January, 2022

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**COUNTY GOVERNMENT**  
**Special Funds Reports and Financial Statements**  
**For the Quarter ended 30<sup>th</sup> Jun, 2019**

**KERICHO COUNTY EXECUTIVE STAFF CAR LOAN**

**1. STATEMENT OF RECEIPTS AND PAYMENTS**

	Note	Sep (Q1)	Dec (Q2)	Mar (Q3)	June (Q4)	Cumulative Amount
		Kshs	Kshs	Kshs	Kshs	Kshs
<b>RECEIPTS</b>						
Unspent funds/ Balance B/fwd		-	8,073,428.00	3,271,628.00	3,271,628.00	-
Transfers	1	20,238,000.00	-	-	-	20,238,000.00
Recoveries			-	-	-	-
<b>TOTAL RECEIPTS</b>		<b>20,238,000.00</b>	<b>8,073,428.00</b>	<b>3,271,628.00</b>	<b>3,271,628.00</b>	<b>20,238,000.00</b>
<b>PAYMENTS</b>						
Car loan	2	12,160,722.00	4,800,000.00	-	800,000.00	17,760,722.00
Other Payments (Bank Charges)	3	3,850.00	1,800.00	-	-	5,650.00
<b>TOTAL PAYMENTS</b>		<b>12,164,572.00</b>	<b>4,801,800.00</b>	<b>-</b>	<b>800,000.00</b>	<b>17,766,372.00</b>
<b>SURPLUS/DEFICIT</b>		<b>8,073,428.00</b>	<b>3,271,628.00</b>	<b>3,271,628.00</b>	<b>2,471,628.00</b>	<b>2,471,628.00</b>
The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 02.08.2019 and signed by :						
						
Fund Administrator: CPA. George Kirer						CPA. Fernandes K Korir
Ag. Chief Officer Economic Planning						Head of Accounting Unit



**Special Funds Reports and Financial Statements  
For the Quarter ended 30<sup>th</sup> Jun, 2019**

**2. STATEMENT OF FINANCIAL ASSETS**

	Note	Sep (Q1) Kshs	Dec (Q2) Kshs	Mar (Q3) Kshs	June (Q4) Kshs	Cumulative Amount Kshs
<b>FINANCIAL ASSETS</b>						
Cash and Cash Equivalents						2,471,628.00
Bank Balances	4	8,073,428.00	3,271,628.00	3,271,628.00	2,471,628.00	2,471,628.00
<b>TOTAL FINANCIAL ASSETS</b>		<b>8,073,428.00</b>	<b>3,271,628.00</b>	<b>3,271,628.00</b>	<b>2,471,628.00</b>	<b>2,471,628.00</b>
<b>FINANCIAL LIABILITIES</b>						
Accounts Payables – Deposits and retentions						
<b>NET FINANCIAL ASSETS</b>						
<b>REPRESENTED BY</b>						
Fund balance b/fwd		8,073,428.00	3,271,628.00	3,271,628.00	2,471,628.00	2,471,628.00
<b>Surplus/Deficit for the quarter</b>						

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 02.8.2019 and signed by: 

.....  
Fund Administrator: CPA. George Kirer  
Ag. Chief Officer Economic Planning

.....  
CPA. Fernandes K Korir  
Head of Accounting Unit



**COUNTY GOVERNMENT OF KERICHO**  
**Special Funds Reports and Financial Statements**  
**For the Quarter ended 30<sup>th</sup> Jun, 2019**

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**1-Opening Balances**

At the beginning of the Financial Year the opening balance was Ksh 0.00 as seen in the attached documents in Annex 1.

**2- Loans**

At the end of the Financial Year a total of Ksh 17,760,722.00 was disbursed as loans as evidenced in Annex 2

**3-Bank Charges**

A total of Ksh 5,650.00.00 was incurred as bank charges as at the end of Financial Year as evidenced in Annex 1

**4-Cash and Cash Equivalents**

The balance as at end of Financial Year was Ksh 2,471,628.00 as evidenced in Annex 1

