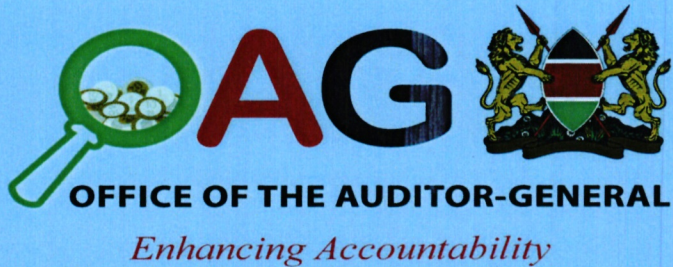


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REPUBLIC OF KENYA



# REPORT

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**THE AUDITOR-GENERAL**

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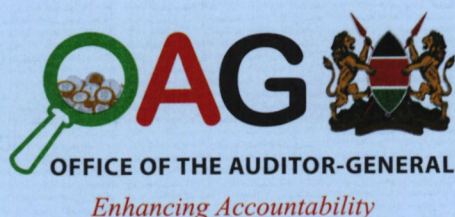
**BARINGO COUNTY EXECUTIVE CAR LOAN  
SCHEME FUND**

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

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

# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

## REPORT OF THE AUDITOR-GENERAL ON BARINGO COUNTY EXECUTIVE 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 Baringo County Executive Car Loan Scheme Fund set out on pages 1 to 3, which comprise of the statement of financial position as at 30 June, 2019, and the statement of receipts and payments and statement of cash flows for the year then ended in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### Basis for Disclaimer of Opinion

##### 1. Presentation of the Financial Statements

The financial statements for the year ended 30 June, 2019 provided for audit review contained the following anomalies:

- a) The financial statements were prepared in accordance with International Public Sector Accounting Standards (IPSAS) cash basis of accounting instead of accrual basis;
- b) The financial statements do not have the following information:
  - i. Comparative Balances for 2017/2018 financial year;
  - ii. Key Entity Information by Management;
  - iii. The Board of Trustees (or any other corporate governance body for the Fund);
  - iv. Management team;
  - v. Board/ fund chairperson's report;
  - vi. Report of the fund administrator;

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

- vii. Corporate governance statement;
- viii. Management discussion and analysis;
- ix. Corporate social responsibility statement/sustainability report;
- x. Report of the Trustees;
- xi. Statement of management responsibilities;
- xii. Statement of changes in net assets;
- xiii. Statement of comparison of budget and actual amounts;
- xiv. Summary of significant accounting policies;
- xv. Notes to the financial statements and other important disclosures;
- xvi. Pages 2 and 3 were omitted;
- xvii. Pages 1 to 3 do not have comparative figures and the name, sign off and date thereof of the fund accountant;

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

## **2. Inaccuracies in the Financial Statements**

The financial statements for the year ended 30 June, 2019 contained the following inaccuracies:

- i. The statement of receipts and payments reflects a balance brought forward, loan recovery and fund disbursements of Kshs.2,583,739, Kshs.5,027,497 and Kshs.6,800,000 respectively. However, this disclosure is not in line with the requirement of International Public Sector Accounting Standards No.1 on presentation of the financial statements which requires opening balances, loan recovery and fund disbursements to be reflected in the statement of financial position and not in the statement of financial performance;
- ii. The statement of financial position reflects nil surplus/adjustment for the previous year which differed with the surplus of Kshs.2,583,739 reported in 2017/2018 financial statements and;
- iii. The statement of financial position exclude disclosures on receivables (long-term and short-term) from exchange transactions, payables and provisions, revolving fund, and accumulated surplus.

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

## **3. Loan Recovery**

The statement of receipts and payments for the year ended 30 June, 2019 reflects loan recovery of Kshs.5,027,497. However, the balance was not supported with group's details of the loans issued, principal and interest repayments and the outstanding balance. This is contrary to Regulation 8(3)(c) of the Public Finance Management (Baringo County Executive Members Car Loan Scheme Fund)

Regulations, 2016 that requires officer administering the Fund to cause to be kept proper books of accounts and other books and records in relation to the Fund and for all loans financed from the Fund.

Consequently, the accuracy and completeness of the loan recovery of Kshs.5,027,497 could not be confirmed.

#### **4. Lack of Approved Budget**

The statement of receipts and payments reflects total revenue of Kshs.7,611,236 and gross expenditure of Kshs.6,803,101. However, the Fund's annual budget estimates and work plans were not provided for audit review. This contravenes Regulation 92(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the approved budget estimates of expenditure shall form the basis of the financial statements for the financial year.

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

#### **5. Failure to Comply with the Fund Regulations**

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

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

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

#### **6. Late Submission of Financial Statements for Audit**

The financial statements of the Fund for the financial year ended 30 June, 2019 were submitted for audit on 24 February, 2020 contrary to the provisions of Section 167(1) of the Public Finance Management Act, 2012 which requires an Accounting Officer to

prepare annual financial statements for each financial year within three months after the end of the financial year.

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

## **7. Failure to Submit Response to Management Letter**

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

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

## **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters

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

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 Fund's 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 Management 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 Fund's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution.

However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and internal controls, risk management and governance.

I am independent of the Baringo County Executive Car Loan Scheme Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

27 January, 2022

# BARINGOCOUNTYGVERNMENT.

Email:

hard.koech60@gmail.com



AFC Building,  
P.O. BOX 053-30400,  
KABARNET.

Department of Finance, Treasury & Economic Planning

## BARINGO COUNTY-EXECUTIVE CAR LOAN SCHEME

### STATEMENT OF RECEIPTS AND PAYMENTS

FOR FINANCIAL YEAR 2018-2019 ( 1<sup>ST</sup>JULY, 2018-30<sup>TH</sup> JUNE, 2019)

RECEIPTS	<u>KSHS</u>	<u>KSHS</u>
Balance B/F	2,583,739.00	
Loans Recovery	<u>5,027,496.70</u>	
<b>Total Revenue</b>		<b><u>7,611,235.70</u></b>
PAYMENTS		
Funds Uses/Disbursements	6,800,000.00	
Bank Charges	<u>3,100.50</u>	
<b>Total Payments</b>		<b><u>(6,803,100.50)</u></b>
<b>SURPLUS</b>		<b><u>808,135.20</u></b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 10/07/2019 and signed by:

10 JUL 2019

Fund Administrator

Bursary Fund



## STATEMENT OF CASH FLOW

<b>Operating Activities:</b>	<b>Kshs.</b>	<b>Kshs.</b>
Opening balance for the period (Bal B/F)	2,583,739.00	
Transfers from Baringo county government	0.00	
Loan Recovery	<u>5,027,496.70</u>	<u>7,611,235.70</u>
<b>Less:</b>		
Funds Uses/Expenditure/Disbursements	6,800,000.00	
Bank Charges	<u>3,100.50</u>	<u>(6,803,100.50)</u>
<b>Net Cash Inflow From Operating Activities</b>		<u><b>808,135.20</b></u>
 <b>Investing Activities:</b>		
Proceeds from sale of Assets	0.00	
Acquisition of Asset	<u>0.00</u>	
<b>Net Cash Inflow From Investing Activities</b>		<u><b>0.00</b></u>
 <b>Financing Activities:</b>		
Proceeds from Domestic borrowing	0.00	
Proceeds from Foreign Borrowing	0.00	
Loan repayments	<u>0.00</u>	
<b>Net Cash Inflow From Financing Activities</b>		<u><b>0.00</b></u>
 <b>Changes in Cash and cash Equivalent</b>		
Cash at end of the period		<u><b>808,135.20</b></u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 10/07/2019 and signed by:



10 JUL 2019

.....  
**Fund Administrator**

**Bursary Fund**

**STATEMENT OF FINANCIAL POSITON**

	KSHS
<b>FINANCIAL ASSETS</b>	
Cash and cash equivalent	0.00
Bank balance	808,135.20
<b>Total Financial Assets</b>	<u>808,135.20</u>
Less:	
<b>FINANCIAL LIABILITIES</b>	
Accounts Payable	<u>0.00</u>
<b>Total Financial Liabilities</b>	<u>0.00</u>
 <b>NET FINANCIAL ASSETS</b>	 <u>808,135.20</u>
 <b>REPRESENTED BY:</b>	
Fund Balance c/Fwd	808,135.20
Add: Surplus Adjustment for previous period	<u>0.00</u>
<b>Net Financial Position</b>	<u>808,135.20</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 10/07/2019 and signed by:



10 JUL 2019

Fund Administrator

Bursary Fund