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REPORT

OF

THE AUDITOR-GENERAL

ON

**BARINGO COUNTY BURSARY
AND SCHOLARSHIP FUND**

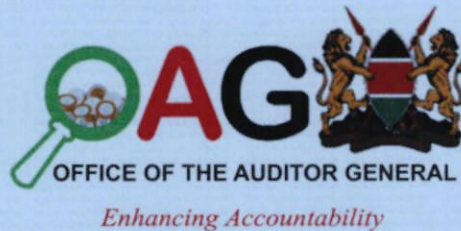
**FOR THE YEAR ENDED
30 JUNE, 2019**

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



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REPORT OF THE AUDITOR-GENERAL ON BARINGO COUNTY BURSARY AND SCHOLARSHIP FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Baringo County Bursary and Scholarship Fund set out on pages 1 to 6, which comprise the statement of financial position as at 30 June, 2019, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and notes to financial statements 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 Errors in Financial Statements Presentation and Disclosure

The financial statements prepared and presented for audit did not meet the presentation framework issued by the Public Sector Accounting Standards Board (PSASB) and the following reports and statements were not included or were not complete;

- 1.1. Key entity information by Management
- 1.2. The Board of Trustees (or any other Corporate Governance Body for the Fund)
- 1.3. Details of Management Team
- 1.4. The Board and the Fund Chairperson's report
- 1.5. Report of the Fund Administrator
- 1.6. Corporate Governance Statement
- 1.7. Management discussion and analysis
- 1.8. Corporate Social Responsibility statement/sustainability report

- 1.9. Report of the Trustees
- 1.10. Statement of Management responsibilities
- 1.11. Blank page for the insertion of the Independent report of the auditor
- 1.12. Summary of significant accounting policies
- 1.13. Notes to the Financial Statements are incomplete
- 1.14. Other important disclosures
- 1.15. The Financial Statements are not numbered

Consequently, the financial statements as prepared and presented do not comply with the format prescribed by the PSASB.

2.0 Inaccuracies in the Financial Statements

The financial statements for the year ended 30 June, 2019 prepared and presented for audit had the following inaccuracies: -

- 2.1 The statement of financial performance reflects balance brought forward of Kshs.6,370,919 which relates to the closing surplus for the financial year 2017/2018. However, the disclosure is not in line with the International Public Sector Accounting Standards (IPSAS) No.1 on presentation of the financial statements which requires opening balances to be reflected in the statement of financial position and not in the statement of financial performance.
- 2.2 The statement of financial position reflects deficit for the period of Kshs.3,557,460 while the statement of financial performance reflects surplus of Kshs.2,813,459 resulting to an unreconciled and unexplained variance of Kshs.6,370,919.
- 2.3 The statement of financial performance reflects a surplus for the period of Kshs.2,813,459 while the statement of changes in net assets reflects a deficit of Kshs.33,557,460 resulting to an unreconciled and unexplained variance of Kshs.36,370,919.
- 2.4 The statement of changes in net assets reflects a revolving fund balance of Kshs.230,000,000 and revaluation reserves of Kshs.123,560 which are not reflected in the statement of financial position and are unsupported by the relevant schedules.
- 2.5 The statement of cash flows reflects a net decrease in cash and cash equivalents of Kshs.3,557,460 for the financial year 2018/2019. However, re-casting of the same revealed an increase of Kshs.2,813,459 resulting to an unreconciled and unexplained variance of Kshs.6,370,919. Further, the reflects a net increase in cash and cash equivalents of Kshs.3,658,817 for the financial year 2017/2018. However, re-casting of the same revealed an amount of Kshs.6,370,919 resulting to an unreconciled and unexplained variance of Kshs.2,712,102.
- 2.6 The statement of comparison of budget and actual amount reflects a surplus under the final budget column of Kshs.30,000,000 while re-casting of the same revealed

an amount of Kshs.6,370,919 resulting to an unreconciled and unexplained variance of Kshs.23,629,081. Further, the statement reflects a surplus under actual on comparable basis column of Kshs.33,557,460 while re-casting of the same revealed an amount of Kshs.2,813,459 resulting to an unreconciled and an unexplained variance of Kshs.30,744,001.

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

3.0 Unreconciled Bursary Expenditure

As disclosed in Note 2 to the financial statements, the statement of financial performance reflects total payments of Kshs.33,557,460 (2019 – Kshs.36,141,183) which includes Kshs.32,656,600 on award of bursaries to the needy/ beneficiaries. However, the schedule provided for audit review in support of the payment item shows an amount of Kshs.25,770,000 resulting to unexplained and unreconciled variance of Kshs.6,886,600.

Under the circumstances, the accuracy and completeness the Kshs.32,656,600 on bursaries for the year ended 30 June, 2019 could not be confirmed.

4.0 Unsupported Administration Costs

As disclosed in Note 2 to the financial statements, the statement of financial performance reflects total payments of Kshs.33,557,460 (2018 – Kshs.36,341,183) which includes domestic travel and subsistence allowances (administration costs) amount of Kshs.900,000. However, the expenditure was not supported by detailed schedules and payment vouchers. This contravenes Section 9(1) of the Public Finance Management (Baringo County Bursary and Scholarship Fund) Regulations, 2018 which requires the administrator of the Fund to be responsible for maintenance of proper books of accounts and the preparation of annual financial statements.

Under the circumstances, the accuracy and completeness of administration cost of Kshs.900,000 for the year ended 30 June, 2019 could not be confirmed.

5.0 Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balances of Kshs.2,813,459 (2018 – Kshs.6,370,919). However, the cashbook provided for the audit reflects a balance of Kshs.447,496 resulting to unexplained and unreconciled variance of Kshs.2,365,963. Further, it was noted that the bank reconciliation statement for June 2021 reflects un-presented cheques amounting to Kshs.2,365,963 but the bank statements for the Fund were not provided to confirm subsequent clearance of these payments. In addition, payments of Kshs.235,000 for the subsequent financial year (2019/2020) were included in the bank reconciliation statement despite not being reconciling items. This contravenes Section 90(3) of the Public Finance Management (County Governments) Regulations, 2015 which states that Accounting Officers shall ensure any discrepancies noted during bank reconciliation exercise, are investigated immediately and appropriate action taken including updating the relevant cash books.

Under the circumstances, the accuracy and completeness of reported cash and bank balance of Kshs.2,813,459 as at 30 June, 2019 could not be confirmed.

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 Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis for Conclusion

1.0 Budget Control and Performance

The statement comparison of budget and actual amounts reflects a final revenue budget amount of Kshs.36,370,919 and actual revenue of Kshs.36,370,919 against actual expenditure of Kshs.33,557,460 resulting to under absorption of Kshs.2,813,459. The under absorption may have impacted negatively on award of the bursaries to the needy/beneficiaries. Further, approved budget for the Fund was not provided for audit, which contravenes Section 16(1) of the Public Finance Management (Baringo County Bursary and Scholarship Fund) Regulations, 2018 which states that the County Executive Committee Member for education shall for each financial year budget funds for bursary and scholarship which allocation shall be approved by the County Assembly.

Under the circumstances, the Fund's Management was in breach of the Law.

2.0 Non-Adherence to Bursary and Scholarship Fund Regulations

A review of the bursary disbursements of Kshs.32,656,600 revealed non-compliance to the Public Finance Management (Baringo County Bursary and Scholarship Fund) Regulations, 2018 as detailed below;

- 2.1 The Fund Administrator did not provide evidence of quarterly returns to the County Executive Member responsible for finance, County Assembly and the board pursuant to Regulation 9(3). These returns include summary of beneficiaries and approval status of disbursements and restrictions imposed as per Section 9(4)(a and b); and
- 2.2 Bursaries were not acknowledged in writing and formal receipts issued to the beneficiaries and bursary board as required by Regulation 16(6)(2).

To this extent, the Fund's Management was in breach of the Law.

3.0 Non-Response to Management Letter

The Fund Management failed to respond to the Management Letter issued by the Auditor General dated 30 April, 2020 contrary to Section 31(4) of the Public Audit Act, 2015, which

states that the accounting officer shall within fourteen days from the date of receipt of the Draft Management Letter, submit a response to the Auditor-General including remedial actions that have been undertaken to address any qualifications in the draft management letter.

Under the circumstances, the Fund's Management was in breach of the Law.

4.0 Late Submission of 2018/2019 Financial Statements

The financial statements were submitted on 24 February, 2020 which is later than the expected submission date of 30 September, 2019 by approximately five (5) months. This is contrary to Section 47(1) 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;

Under the circumstances, the Fund's Management was in breach of the Law.

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 Conclusion of the Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis for Conclusion

Lack of a Risk Management Policy

As previously reported and documents provided for audit revealed that the Fund does not have a risk management strategy contrary to section 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations 2015 which requires the accounting officer to develop risk management strategies, which include fraud prevention mechanism and internal control that builds robust business operations.

Under the circumstances, the Fund's risk management strategy for the year under review could not be ascertained.

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 services, disclosing, as applicable, matters related to sustainability of services and using the going concern 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 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 Conclusion on Lawfulness and Effectiveness in Use of Public Resources, and Internal Controls, Risk Management and Governance sections of my report, I was not

able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of the Fund 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

17 December, 2021

BARINGO COUNTY EDUCATION BURSARY AND SCHOLARSHIP FUND
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

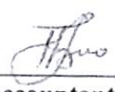
I FINANCIAL STATEMENTS

1.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE, 2019


Particulars / Details	Note	2018-2019	2017-2018
		Kshs	Kshs
Revenue from Non-Exchange Transaction			
Opening Balance for the Period	1	6,370,919.00	2,712,102.00
Transfers from Baringo County	1	30,000,000.00	40,000,000.00
		36,370,919.00	42,712,102.00
Revenue from Exchange Transaction			
Interest Earned	1	-	-
		-	-
TOTAL REVENUES		36,370,919.00	42,712,102.00
PAYMENTS			
Fund Uses / Expenditure/Disbursements/ Administration Costs	2	33,557,460.00	36,341,183.00
TOTAL PAYMENTS/ EXPENSES		33,557,460.00	36,341,183.00
Other gains/Loses			
Gain / Loss on Disposal of Assets			
SURPLUS/DEFICIT FOR THE PERIOD		2,813,459.00	6,370,919.00

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 _____ 2019 and signed by:

Fund Administrator
Name: Susan C. Nakoru (CO)


Fund Accountant Name:
CPA Thomas Chesaro
ICPAK Member Number 15566




May 2021

23 SEP 2020


BARINGO COUNTY EDUCATION BURSARY AND SCHOLARSHIP FUND
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

1.2 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2019

		2018-2019	2017-2018
		Kshs	Kshs
FINANCIAL ASSETS			
Current Assets			
Cash and Cash Equivalents	3	2,813,459.00	6,370,919.00
Prepayments			
Inventories			
TOTAL FINANCIAL ASSETS		2,813,459.00	6,370,919.00
LESS: FINANCIAL LIABILITIES			
Accounts Payable		-	-
TOTAL FINANCIAL LIABILITIES		-	-
NET FINANCIAL ASSETS/(LIABILITIES)		-	-
REPRESENTED BY			
Fund balance b/fwd		6,370,919.00	2,712,102.00
Surplus/Deficit for the year		(3,557,460.00)	3,658,817.00
Prior year adjustments		-	-
NET FINANCIAL POSITION		2,813,459.00	6,370,919.00

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

Fund Administrator
Name: Susan C. Nakoru (CO)



Fund Accountant
Name: CPA Thomas Chesaro ICPAK
Member Number 15566

JUN 2019

BARINGO COUNTY EDUCATION BURSARY AND SCHOLARSHIP FUND
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

1.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30TH JUNE, 2019

	Revolving Fund	Revaluation Reserve	Accumulated Surplus / Deficit	Total Amount
	Kshs	Kshs	Kshs	Kshs
Balance as at 1st July, 2017	160,000,000	123,560	(157,411,458)	2,712,102
Surplus / Deficit for the period	-	-	(36,341,183)	(36,341,183)
Funds Received During the Year	40,000,000	-	-	40,000,000
Revaluation Gain	-	-	-	-
Balance as at 30th June, 2018	200,000,000.00	123,560.00	(193,752,641.00)	6,370,919
Balance as at 1st July, 2018	200,000,000	123,560	(193,752,641)	6,370,919
Surplus / Deficit for the period	-	-	(33,557,460)	(33,557,460)
Funds Received During the Year	30,000,000	-	-	30,000,000
Revaluation Gain	-	-	-	-
Balance as at 30th June, 2019	230,000,000.00	123,560.00	(227,310,101.00)	2,813,459.00

30 JUN 2019



BARINGO COUNTY EDUCATION BURSARY AND SCHOLARSHIP FUND
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

1.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE, 2019

Cash Flows from Operating Activities	Note	2018-2019	2017-2018
		Kshs	Kshs
Receipts for operating income			
Opening Balance for the Period	1	6,370,919.00	2,712,102.00
Transfers from Baringo County, Loan Recovered and Interest Earned	1	30,000,000.00	40,000,000.00
Total Receipts		36,370,919.00	42,712,102.00
Payments for operating expenses			
Award of the Bursary Fund to the Needy / Beneficiaries	2	32,656,600.00	35,425,538.00
Domestic travel and subsistence Allowances (Adm. Costs)	2	900,000.00	900,000.00
Other operating expenses (Bank Charges/Tax Deducted)	2	860.00	15,645.00
		33,557,460.00	36,341,183.00
Adjusted for:			
Decrease / Increase in Accounts Receivables (Outstanding Imprest)		-	-
Increase / Decrease in Accounts payables (Deposits and Retention)		-	-
Adjustments during the year			
Net Cash flows from operating activities		2,813,459.00	6,370,919.00
Cash Flows from Investing Activities			
Purchase of Property, Plant, Equipment and Intangible Assets		-	-
Proceeds from sale of Property, Plant and Equipment			
Proceeds from Loan Principal Repayments			
Loan Disbursement Paid Out		-	-
Net cash flows from Investing Activities		-	-
Cash Flows from Financing Activities			
Proceeds from Revolving Fund Receipts		-	-
Additional Borrowings		-	-
Repayment of principal on Domestic and Foreign borrowing		-	-
Net cash flows from financing activities		-	-
Net Increase In Cash and Cash Equivalents		(3,557,460.00)	3,658,817.00
Cash and cash equivalent at BEGINNING of the year		6,370,919.00	2,712,102.00
Cash and cash equivalents as at 30 th June, 2019		2,813,459.00	6,370,919.00

JUN 2019

BARINGO COUNTY EDUCATION BURSARY AND SCHOLARSHIP FUND
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

1.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE, 2019

Revenue	Original Budget		Adjustments		Final Budget		Actual on Comparable Basis		Performance Difference		% Utilisation	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Balance Brought Forward	6,370,919	6,370,919	-	-	6,370,919	6,370,919	6,370,919	-	-	-	-	100.00%
Transfer from County Government	30,000,000	30,000,000	-	-	30,000,000	30,000,000	30,000,000	-	-	-	-	100.00%
Interest Income	-	-	-	-	-	-	-	-	-	-	-	0.00%
Other Income	-	-	-	-	-	-	-	-	-	-	-	0.00%
Total Income / Revenue	36,370,919	36,370,919	-	-	36,370,919	36,370,919	36,370,919	-	-	-	-	100.00%
Expenses												
Award of the Bursary Fund to the Needy / Beneficiaries	29,100,000	29,100,000	-	-	29,100,000	29,100,000	32,656,600	(3,556,600)	(3,556,600)			112.22%
Domestic travel and subsistence Allowances (Adm. Costs) (3%)	900,000	900,000	-	-	900,000	900,000	900,000	-	-			100.00%
Other operating expenses (Bank Charges/Tax Deducted)	-	-	-	-	-	-	860	(860)	(860)			0.00%
Total Expenses	30,000,000	30,000,000	-	-	30,000,000	30,000,000	33,557,460	(3,557,460)	(3,557,460)			111.86%
Surplus / Deficit for the Period	6,370,919.00	6,370,919.00	-	-	30,000,000.00	30,000,000.00	33,557,460.00	(3,557,460.00)	(3,557,460.00)			111.86%

JUN 2019

BARINGO COUNTY EDUCATION BURSARY AND SCHOLARSHIP FUND
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS

1 EXCHEQUER RELEASES/BARINGO COUNTY

Description and reference of the transfer	Date of transfer	2018-2019	2017-2018
		Kshs	Kshs
Revenue from Non-Exchange Transaction			
Balance Brought Forward	1/7/2016	6,370,919	2,712,102
1st quarter transfer		-	10,000,000
2nd quarter transfer		-	-
3rd quarter transfer	12/3/2019	30,000,000	-
4th quarter transfer		-	30,000,000
		30,000,000.00	40,000,000.00
Revenue from Exchange Transaction			
Interest Income/Earned		-	-
		-	-
Total Revenue		36,370,919.00	42,712,102.00

2 FUND USES / EXPENDITURE / DISBURSEMENT

		2018-2019	2017-2018
		Kshs	Kshs
Award of the Bursary Fund to the Needy / Beneficiaries		32,656,600	35,425,538
Domestic travel and subsistence Allowances (Adm. Costs)		900,000	900,000
Other operating expenses (Bank Charges/Tax Deducted)		860	15,645
Total		33,557,460.00	36,341,183.00

3 Bank Accounts

Name of Bank, Account No. & currency		2018-2019	2017-2018
		Kshs	Kshs
Equity Bank, Ac no. 1390262458895 (Kshs)		2,813,459	6,370,919
Total		2,813,459.00	6,370,919.00

[The bank account held by the entity]

30 JUN 2019



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