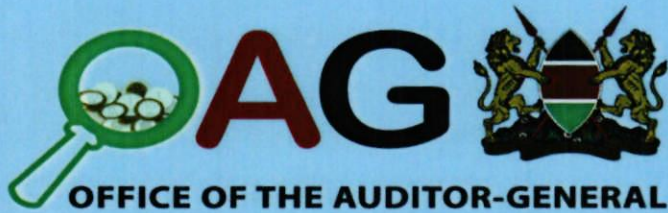


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**REPORT**

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**OF**

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED  
30 JUNE, 2020**



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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, 2020**

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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 2019/2020 financial year, **Mr. Augustine Chemonges Loile** was the County Executive Committee Member for Finance and Economic Planning. However, **Ms. Christine Apakoreng** replaced him in a reshuffle made by the County Governor and Gazetted on 14<sup>th</sup> August, 2020.

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2020 and who had direct fiduciary responsibility were:

No	Name	Designation
1.	Augustine Chemonges Loile	CECM for Finance and Economic Planning
2	Samson Maiywa Nyangaluk	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.

  
Ms. Christine Apakoreng  
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, 2020. 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, 2020, and of the West Pokot County Car Loan and Mortgage members' scheme fund financial position of the fund as at that date. The CEC member for Finance and Economic Planning of the County Government of West

**West Pokot County Executive Car Loan and Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ending June 30, 2020 (Kshs)**

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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 \_\_\_\_\_ 2020.

*Christine* 28.9.2020  
*CHRISTINE APAMONG*  
County Executive Committee member  
Finance and Economic Planning



# REPUBLIC OF KENYA

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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, 2020**

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### 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 18, which comprise of the statement of assets and liabilities as at 30 June, 2020, statement of income and expenditure and the statement of cash flows for the year then ended 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 Errors in the Financial Statements**

The report and financial statements prepared and presented for audit contained the following errors: -

- i. The statements were prepared in accordance with International Public Sector Accounting Standards (IPSAS) cash basis of accounting instead of accrual basis.
- ii. Information and reports in respect of particulars of board of trustees, statement of performance against entity predetermined objectives, board/fund chairpersons report, report of the fund administrator, corporate governance statement, management discussion analysis, corporate social responsibility, report of the trustee, the statement of changes in net assets, statement of comparison of budget and actual amounts, adoption of new and revised standards and progress on recommendations of auditor's recommendations are not included in the financial statements.
- iii. The statement of income and expenditure particulars are not referenced to the respective notes to the financial statements.

- iv. Key entity information under entity bankers indicates that the fund operates bank accounts at Central Bank of Kenya, Kenya Commercial Bank, Equity Bank and Co-operative Bank while Note 5 to the financial statements indicates that fund operates two (2) bank accounts at Co-operative Bank of Kenya.

Consequently, the report and the financial statements for the year ended 30 June, 2020 are not in the format prescribed by the Public Sector Accounting Standard Board (PSASB).

## **2.0 Inaccuracies in Financial Statements**

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

- (i) The statement of income and expenditure reflects total receipts of Kshs.24,782,513 for the year ended 30 June, 2020 comprising of balance brought forward of Kshs.282,513 and transfers from repayment account of Kshs.24,500,000. These amounts do not qualify as fund income and are erroneously included in the income statement.
- (ii) The statement reflects disbursement to members of Kshs.20,000,000. Examination of records provided indicate that car loans and mortgage advanced to members are repayable with interest at a rate of 3% per annum on reducing balance basis. However, no interest was reported in the statement of income and expenditure.

### **2.2 Statement of Assets and Liabilities**

- (i) The statement of assets and liabilities reflects account payable - loan payable to County Assembly. However, available information indicates that an amount of Kshs.4,500,000 was borrowed from the County Assembly during the year ended 30 June, 2018 and the same was not reflected in the statement of assets and liabilities. The amount was refunded in full during the year ended 30 June, 2020 and therefore there was no liability to the County Assembly as at the end of the year.
- (ii) The statement reflects accounts receivable - outstanding loans/interest balances in the current and prior year of Kshs.37,552,604 and Kshs.65,247,482 respectively while Note 6 to the financial statements reflects balances of Kshs.24,500,000 and Kshs.49,000,000 resulting to unexplained variances of Kshs.13,052,604 and Kshs.16,247,482.

### **2.3 Statement of Cash Flows**

- (i) The statement of cash flows reflects cash and cash equivalents balance of Kshs.20,163,744 as at 30 June, 2020 while the statement of assets and liabilities reflects an amount of Kshs.11,611,140 resulting to an unexplained variance of Kshs.8,552,604.
- (ii) The statement reflects cash flow from operating activities of Kshs.69,113 and nil cash flow from investing and financing activities resulting to a total of Kshs.69,113. However, the statement reflects net increase in cash and cash equivalent amount of

Kshs.20,163,744 resulting to unexplained variance of Kshs.20,094,630. Further, the actual increase in cash and cash equivalent as per the statement of assets and liabilities amount to Kshs.3,058,536. The anomaly has not been explained.

(iii) The statement of cash flows reflects comparative figures in the financial statements for the year ended 30 June, 2020 which differ with the certified financial statements balances for the year ended 30 June, 2019 as summarized below:

<b>Statement of Cash Flows</b>	<b>2019/2020 (Kshs.)</b>	<b>2018/2019 (Kshs.)</b>	<b>Variance (Kshs.)</b>
Net Increase in Cash and Cash Equivalent	15,752,379	24,304,983	8,552,604
Cash and Cash Equivalent at beginning of the year - Loan	495,103	286,688	(208,415)
Cash and Cash Equivalent at beginning of the year - Repayment	12,364,723	15,465,691	3,100,968
Cash and Cash Equivalent at end of the year - Loan	(208,415)	282,513	490,928
Cash and Cash Equivalent at end of the year - Repayment	3,100,968	8,270,091	5,169,123
As per the Statement of the Asset	15,752,379	24,304,983	8,552,604

The variances between the two sets of accounts were not explained or supported.

#### **2.4 Variances between Financial Statement Figures and Supporting Schedules**

The statement of income and expenditure reflects other payments-expenses (Bank Charges/Administrative Costs) balance of Kshs.213,400 while the supporting schedules reflects bank charges and other payments (administration Costs) balances of Kshs.6,660 and Kshs.328,000 respectively, totalling to Kshs.334,660. The variance of Kshs.121,260 between the two records was not explained or supported.

Consequently, the accuracy, validity and completeness of the financial statements for the year ended 30 June, 2020 could not be confirmed.

#### **3.0 Failure to Provide a Trial Balance**

The financial statements provided for audit were not supported with the relevant trial balance or ledger.

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2020 could not be ascertained.

#### **4.0 Expensing of Loans**

The statement of income and expenditure for the year ended 30 June, 2020 reflects an amount of Kshs.20,000,000 in respect of loans disbursed to members. However, as previously reported, the loans have been expensed in the statement of income and expenditure 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, 2020 could not be confirmed.

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

The statement of assets and liabilities reflects accounts receivable - outstanding loans/interest amount of Kshs.37,552,604 as at 30 June, 2020. During the year under review, an amount of Kshs.20,000,000 was disbursed to members comprising mortgage totaling Kshs.16,300,000 disbursed to eleven (11) members and car loan of Kshs.3,700,000 disbursed to three (3) members. As reported in the previous year, the statement of assets and liabilities reflects accounts receivables - outstanding loan/interest balance of Kshs.65,247,481 as at 30 June, 2019 in respect of loans disbursed during the year ended 30 June, 2019. Further, the statement of assets and liabilities reflects a figure of Kshs.95,000,000 in respect of opening accounts receivables - outstanding loan/interest for the year ended 30 June, 2018. This balance excludes accounts receivable - outstanding loan/interest of Kshs.73,000,000 from the financial year 2016/2017 and the Fund Management has not provided evidence that the amount was recovered from the beneficiaries.

Further, car loan and mortgage payroll deductions for the year 2019/2020 and members' loan statements indicating loan disbursements, loan repayments, interest charges and loan balances as at 30 June, 2020 were not provided for audit review. In addition, loan disbursed totaling to Kshs.20,000,000 during the year ended 30 June, 2020 was expensed in the statement of income and expenditure and therefore not included in account receivable balance of Kshs.37,552,604 as at 30 June, 2020.

Consequently, the accuracy and completeness of accounts receivable balance of Kshs.37,552,604 as at 30 June, 2020 could not be confirmed.

#### **6.0 Unsupported Other Payments - Expenses**

The statement of income and expenditure reflects other payments amounting to Kshs.213,400 comprising of bank charges and other administrative costs. Available correspondences indicate that the fund management has engaged the services of a Company Advocates firm in recovery of defaulted car loan and mortgage. However, contract agreement with the legal firm, invoices from the firm, advertisement for legal services, minutes of tender and evaluation committees were not provided for audit review. Further, legal charges were not disclosed in the financial statements.

Consequently, the accuracy of other payments balance Kshs.213,400 for the year ended 30 June, 2020 could not be confirmed.

#### **7.0 Unsupported Loans to Members**

The statement of income and expenditure for the year ended 30 June, 2020 reflects an amount of Kshs.20,000,000 in respect of loans disbursed to members comprising of

Kshs.16,300,000 and Kshs.3,700,000 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. In addition, there was no documentary evidence provided to confirm that the ownership documents had a 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 by Section 19(1)(2) of the regulations and the original documents relating to the properties financed by the loan from the Fund were not provided for audit verification. The purchase agreement and the log books for the purchased cars worth Kshs.3,700,000 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 the circumstances, the Management is in breach of the law and in the event of default the loans of Kshs.20,000,000 may not be recovered.

#### **8.0 Maintenance of Proper Books of Account**

West Pokot County Car Loan and Mortgage Scheme Fund was established in 2016 to facilitate car loans and mortgages to be advanced to the Members of the Scheme. Audit review of the funds financial records during the year ended 30 June, 2020 revealed that cash books were maintained and regular bank reconciliation statements prepared. However, the loan application register, approved loans register, general ledger and individual member's ledger that are critical in the accountability of the funds were not maintained contrary to Section 149(1) of the Public Finance Management Act, 2012 which states that an Accounting Officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is - (a) lawful and authorized; and (b) effective, efficient, economical and transparent and Regulation 7(1)c of the Public Finance Management (West Pokot County Car Loan and Mortgage (Members) Scheme Fund) Regulations, 2016 which states that the officer administering shall cause to be kept books of accounts and other books and records in relation to the fund and all loans financed from the fund.

Consequently, the Management is in breach of the law and the accuracy and completeness of financial statement balances for the year ended 30 June, 2020 could not be confirmed.

#### **9.0 Lack of Approved Budget**

The statement of income and expenditure reflects total receipts and total payments of Kshs.24,782,513 and Kshs.24,713,400 respectively for the year ended 30 June, 2020.

However, there was no evidence that the fund's budget for the year ended 30 June, 2020 was prepared and approved contrary to Section 149(2)(h) of the Public Finance Management Act that requires the Accounting Officer to prepare estimates of the expenditure of the entity in conformity with the 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 County Executive Committee Member for Finance.

Consequently, the Fund Management is in breach of the law and the authenticity of the total payments of Kshs.24,713,400 during the year ended 30 June, 2020 could not be confirmed.

#### **10.0 Borrowing from the County Assembly Car Loans & Mortgage Scheme Fund**

The statement of income and expenditure reflects refund to County Assembly amount of Kshs.4,500,000 for the year ended 30 June, 2020 in respect of borrowing from West Pokot County Assembly Car Loan and Mortgage Scheme Fund (Members). Available information indicates that, West Pokot County Car Loan and Mortgage Members Scheme Fund borrowed an amount of Kshs.4,500,000 from West Pokot County Assembly Car Loan and Mortgage Scheme Fund (Members) during the year ended 30 June, 2019. However, there was no evidence of the County Assembly approval for borrowing contrary to Section 142 subsection (1) of the Public Finance Management Act, 2012 which requires county government entities to seek the authority of the County Assembly to borrow cash on a short-term basis for cash management purposes only.

Consequently, the Fund Management is in breach of the law.

#### **11.0 Unsecured Loans**

The statement of income and expenditure reflects disbursement to members amount of Kshs.20,000,000 for the year ended 30 June, 2020 whose ownership documents were not issued jointly between the West Pokot County Government and the member of the Scheme or kept in the custody of the Officer Administering the Fund. In addition, the Fund Management did not register a charge on the properties financed through the loans granted under the mortgage scheme or have the name of the Fund entered in all documents of titles for such properties.

In addition, included in car loan and mortgage disbursement of Kshs.20,000,000 is top up mortgage of Kshs.500,000 disbursed to a member to complete the purchase of two parcels of land. Further, the loan application reviewed indicated that the additional mortgage of Kshs.500,000 was taken on behalf of a non-member of the scheme contrary to Regulations 10(2) of the Public Finance Management (West Pokot County Car Loan and Mortgage (Members) Scheme Fund) Regulations, 2016 which requires that the log-book of a vehicle subject to a loan from the Fund shall be issued jointly between the West Pokot County Government and the member of the Scheme and shall be kept in the custody of the Officer Administering the Fund until the loan is repaid in full by the member of the scheme and Regulation 18(1) requires that the Officer Administering the Fund shall have a charge registered on the property financed through a loan granted under this

Regulation and shall be entitled to have its name entered in all documents of title for such property.

Consequently, the Fund Management is in breach of the law and the Fund is likely to lose funds in case of loan default by members.

### **12.0 Offsetting of Commercial Loans**

The statement of income and expenditure reflects an amount of Kshs.20,000,000 for the year ended 30 June, 2020 comprising of mortgage disbursement of Kshs.16,300,000 disbursed to eleven (11) members and car loan of Kshs.3,700,000 disbursed to three (3) members. Available information indicates, loans amounting to Kshs.4,000,000 granted to two members of the scheme were made to commercial banks to offset commercial loans owed by the two members contrary to Regulation 3 of the Public Finance Management (West Pokot County Car Loan and Mortgage (Members) Scheme Fund) Regulations, 2016 which states that the object of the fund is to enable car loans and mortgages to be advanced to the members of the scheme as may be prescribed by the Salaries and Remunerations Commission and Regulation 14(2) further states that a loan obtained under this regulation shall be utilized for the purchase, development, renovation or repair of residential property for the occupation of the applicant and the applicant's immediate family.

Consequently, the Fund Management is in breach of the law and Fund is not likely to meet its intended objectives.

### **13.0 Member Loan Statements**

The statement of income and expenditure reflects disbursement to members amount of Kshs.20,000,000 for the year ended 30 June, 2020 comprising of mortgage disbursement of Kshs.16,300,000 disbursed to eleven (11) members and car loan of Kshs.3,700,000 disbursed to three (3) members. However, members loan statements for the current loans and prior years indicating loan disbursement, repayments, interest and loan balances for loans issued in current and prior years were not provided for audit review contrary to Regulation 7(1)(c) of the Public Finance Management (West Pokot County Car Loan and Mortgage (Members) Scheme Fund) Regulations, 2016 which requires the Officer Administering the Fund to cause to be kept books of accounts and other books and records in relation to the Fund and for all loans financed from the Fund.

Consequently, the Fund is likely to lose funds due to inability to track outstanding loans and enforce repayments by members.

### **14.0 Motor Vehicle Comprehensive Cover and Mortgage Protection and Fire Policy**

The statement of income and expenditure reflects disbursement to members amount of Kshs.20,000,000 for the year ended 30 June, 2020 comprising of mortgage disbursement of Kshs.16,300,000 disbursed to eleven (11) members and car loan of Kshs.3,700,000 disbursed to three (3) members. However, there was no evidence of comprehensive

insurance cover for car loans amounting to Kshs.3,700,000 and mortgage protection policy and a fire policy for mortgage disbursements amounting to Kshs.16,300,000 contrary to Regulation 11 of the Public Finance Management (West Pokot County Car Loan and Mortgage (Members) Scheme Fund Regulations, 2016 which states that a member of the Scheme shall comprehensively insure any vehicle purchased through the Scheme and Regulation 19(1) which requires a borrower to take out and maintain a mortgage protection policy and a fire policy with an insurance firm approved by the mortgage Management committee, the cost of which shall be paid out of the Fund and debited in such borrower's account.

Consequently, the Fund Management is in breach of the law and the Fund is likely to lose funds in case of theft or fire.

### **15.0 Monthly Financial and Non-Financial Budgetary Reports**

During the year ended 30 June, 2020, there was no evidence provided for audit review to show that the Fund Management prepared and submitted monthly financial and non-financial budgetary reports to the County Treasury and copies to Controller of Budget and Auditor-General contrary to Regulation 54(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires an Accounting Officer of a county government entity to, not later than the 10th day of each month, submit a monthly financial and non-financial budgetary report in the format to be issued by the Cabinet Secretary relating to the activities of his or her county government entity for the preceding month to the County Treasury with copies to the Controller of Budget and the Auditor-General.

Consequently, the fund management is in breach of the law and the Fund is likely to lose funds due to non-accountability.

### **16.0 Payment Vouchers**

The statement of income and expenditure reflects total payments of Kshs.24,713,400 for the year ended 30 June, 2020 comprising of disbursements to members amount of Kshs.20,000,000, refund to County Assembly of West Pokot of Kshs.4,500,000 and administrative expenses of Kshs.213,400. However, payments vouchers supporting payments amounting to Kshs.24,713,400 made during the year were not provided for audit review contrary to Section 104 of the Public Finance Management Act, 2012 which requires all receipts and payments vouchers of public moneys to be properly supported by pre-numbered receipt and payment vouchers and shall be supported by the appropriate authority and documentation.

Consequently, the Fund Management is in breach of the law and the Fund is likely to lose funds through unauthorized and unsupported payments.

### **17.0 Updating of Cash Books and Approval of Bank Reconciliation Statements**

The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.11,611,140 as at 30 June, 2020 in respect of two (2) bank accounts as disclosed in

Note 5 to the financial statements. Although cash books were kept and maintained in respect of each of the of two bank accounts during the year ended 30 June, 2020, the cash books were not checked and reviewed by a responsible officer. Further, the updating of the funds cash books and preparation of monthly bank reconciliation was done by the same officer and therefore there was no segregation of duty in maintenance of cash books and preparation of monthly bank reconciliations contrary Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that; the County Government entity develops risk management strategies, which include fraud prevention mechanism and the County Government entity develops a system of risk management and internal control that builds robust business operations.

Consequently, public funds are likely to be lost due to lack of adequate internal controls in maintaining and updating of cash books and in preparation of monthly bank reconciliation statements.

### **18.0 Unresolved Prior Year Audit Matters**

In the audit report of the previous year, several issues were raised which have not been reflected in the financial statement under progress on follow up of prior year auditors' recommendation. Further, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: PSASB/1/12 Vol.1(44) of 25 June, 2019.

Consequently, the Fund Management is 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 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 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

11 February, 2022

**COUNTY GOVERNMENT WEST POKOT -  
Consolidated Reports and Financial Statements  
For the year ended June 30, 2020**

**III. FINANCIAL STATEMENTS**

**1.1 STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 30TH JUNE 2020**

		2019-2020	2018-2019
	Notes	KShs	KShs
<b>RECEIPTS</b>			
Balance brought forward		282,513.00	286,688.00
Transfers from County Treasury Exchequer		0.00	0.00
Transfers from Repayment Account		24,500,000.00	49,000,000.00
Borrowed funds from County Assembly		0.00	0.00
<b>TOTAL RECEIPTS</b>		<b>24,782,513.00</b>	<b>49,286,688.00</b>
<b>PAYMENTS</b>			
Disbursements to members		20,000,000.00	49,000,000.00
Refund to County Assembly		4,500,000.00	0.00
Other Payments-Expenses(bank charges/Administrative costs)		213,400.00	4,175.00
<b>TOTAL PAYMENTS</b>		<b>24,713,400.00</b>	<b>49,004,175.00</b>
<b>SURPLUS/DEFICIT</b>		<b>69,113.00</b>	<b>282,513.00</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 28/09/2020 and signed by:

Chief Officer

Name:

  
Saviour Nyang'ali

Head of Treasury Accounts

Name: Haron Kiprotich MURUNY  
ICPAK Member Number: 26158

**West Pokot County Executive Car Loan and Mortgage Scheme Fund**  
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**1.2 STATEMENT OF ASSETS AND LIABILITIES AS AT 30<sup>TH</sup> JUNE 2020**

		<b>2019-2020</b>	<b>2018-2019</b>
	<b>Notes</b>	<b>KShs</b>	<b>KShs</b>
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances-Main loan account	5A	69,113.00	282,513.00
Bank Balances-Loan repayment Account	5A	11,542,026.65	8,270,090.90
Cash Balances	5B	0.00	0.00
<b>Total Cash and cash equivalent</b>		<b><u>11,611,139.65</u></b>	<b><u>8,552,603.90</u></b>
Accounts receivables – Outstanding loans/interest	6	37,552,603.90	65,247,481.90
<b>TOTAL FINANCIAL ASSETS</b>		<b><u>49,163,743.55</u></b>	<b><u>73,800,085.80</u></b>
<b>FINANCIAL LIABILITIES</b>			
Accounts Payables – loan Payable to County Assembly		4,500,000.00	0.00
-Interest payable		0.00	0.00
<b>NET FINANCIAL ASSETS</b>		<b><u>44,663,743.55</u></b>	<b><u>73,800,085.80</u></b>
<b>REPRESENTED BY</b>			
Transfers from CRF Account and repayment account		24,500,000.00	49,000,000.00
<b>Fund balance b/fwd(loan Account)</b>	8	282,513.00	286,688.00
<b>Fund balance b/fwd(Repayment Account)</b>	8	8,270,090.90	15,465,690.90
Prior year adjustments	9	0.00	495,103.00
<b>Surplus/Deficit for the year-loan account</b>		69,113.00	282,513.00
<b>Surplus/Deficit for the year-Repayment account</b>		11,542,026.65	8,270,090.90
<b>NET FINANCIAL POSITION</b>		<b><u>44,663,743.55</u></b>	<b><u>73,800,085.80</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 28/06/20 2020 and signed by:

Chief Officer  
Name:


Head of Treasury Accounts

Name: HARON KIACH MURUNY  
 ICPAK Member Number: 26158

**West Pokot County Executive Car Loan and Mortgage Scheme Fund**  
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**1.3 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**

	Notes	2019-2020 KShs	2018- 2019 KShs
<b>Receipts from operating income</b>			
Transfers from county Treasury -balance b/f	1	282,513.00	0.00
Receipt from County Assembly	2	0.00	0.00
Transfers from Repayment Account		24,500,000.00	49,000,000.00
<b>Payments for operating expenses</b>			
Disbursements to members	4	20,000,000.00	49,000,000.00
Refunds to County Assembly	3	4,500,000.00	0.00
Other Payments-Bank charges		213,400.00	4,175.00
<b>Net cash flow from operating activities</b>		<b><u>69,113.00</u></b>	<b><u>282,513.00</u></b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Interest from loan to members		0.00	0.00
Acquisition of Assets		0.00	0.00
<b>Net cash flows from Investing Activities</b>		<b>0.00</b>	<b>0.00</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Domestic Borrowings		0.00	0.00
Proceeds from Foreign Borrowings		0.00	0.00
Repayment of principal on Domestic and Foreign borrowing		0.00	0.00
<b>Net cash flow from financing activities</b>		<b>0.00</b>	<b>0.00</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>20,163,743.55</b>	<b>15,752,378.60</b>
<b>Cash and cash equivalent at beginning of the year-loan</b>	8	282,513.00	495,103.00
<b>Cash and cash equivalent at beginning of the year-Repayment</b>	8	8,270,090.90	12,364,723.00
<b>Cash and cash equivalent at END of the year-loan</b>		69,113.00	-208,415.00
<b>Cash and cash equivalent at END of the year-Repayment</b>		11,542,026.65	3,100,967.60
<b>As per the statement of the asset</b>		<b>20,163,743.55</b>	<b>15,752,378.60</b>

**West Pokot County Executive Car Loan and Mortgage Scheme Fund**  
**Reports and Financial Statements**  
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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 28/09/2020 and signed by:

Chief Officer  
Name:

  
Samson Nyangaluk

Head of Treasury Accounts

Name:   
ICPAK Member Number 26158

#### **IV. SIGNIFICANT ACCOUNTING POLICIES**

The principle accounting policies adopted in the preparation of these financial statements are set out below:

##### **a. Statement of compliance and basis of preparation**

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy notes below.

The receivables and payables are disclosed in the Statement of Assets and Liabilities.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

##### **b. Reporting entity**

The financial statements are for West Pokot County Executive Car loan and Mortgage scheme fund. The financial statements encompass the reporting entity as specified under section 164 of the PFM Act 2012.

##### **c. Recognition of receipts and payments**

###### **i. Recognition of receipts**

The County Government recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Fund.

###### **ii. Transfers from the Exchequer**

Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**External Assistance**

External assistance is received through grants and loans from multilateral and bilateral development partners.

**Donations and grants**

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

**Proceeds from borrowing**

Borrowing includes Treasury bill, treasury bonds, corporate bonds; sovereign bonds and external loans acquired by the entity or any other debt the Fund may take on will be treated on cash basis and recognized as receipts during the year of receipt.

**a) Recognition of payments**

The entity recognises all expenses when the event occurs and the related cash has actually been paid out by the entity.

**Interest on borrowing**

Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.

**Repayment of borrowing (principal amount)**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the County consolidated financial statements.

**d. In-kind contributions**

In-kind contributions are donations that are made to the *entity* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *entity* includes such value in the statement of receipts and payments both as receipts and as expense in equal and opposite amounts; otherwise, the contribution is not recorded.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Cooperative Bank of Kenya at the end of the financial year.

**V. NOTES TO THE FINANCIAL STATEMENTS**

**1. EXCHQUER RELEASES TO THE FUND**

	<b>2019 - 2020</b>	<b>2018 - 2019</b>
	<b>KShs</b>	<b>KShs</b>
Total Exchequer Releases	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**2. TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

<b>Description</b>	<b>2019 - 2020</b>	<b>2018 - 2019</b>
	<b>KShs</b>	<b>KShs</b>
Transfers from COUNTY ASSEMBLY	0.00	0.00
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>

**3. REIMBURSEMENTS AND REFUNDS**

	<b>2019 - 2020</b>	<b>2018 - 2019</b>
	<b>KShs</b>	<b>KShs</b>
Refund to COUNTY ASSEMBLY	4,500,000.00	0.00
<b>Total</b>	<b>4,500,000.00</b>	<b>0.00</b>

**4. TRANSFER TO OTHER GOVERNMENT ENTITIES**

<b>Description</b>	<b>2019 - 2020</b>	<b>2018 - 2019</b>
	<b>KShs</b>	<b>KShs</b>
Transfers to COUNTY ASSEMBLY	4,500,000.00	0.00
<b>TOTAL</b>	<b>4,500,000.00</b>	<b>0.00</b>

**West Pokot County Executive Car Loan and Mortgage Scheme Fund**  
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**5. CASH AND BANK BALANCES**

**A. BANK BALANCES**

Name of Bank, Account No. & currency	Amount in bank account currency*	Indicate whether recurrent, Development, deposit, receipts e.t.c	Ex. rate (if in foreign currency)	2019 – 2020 KShs	2018 – 2019 KShs
Cooperative Bank of Kenya, Ac.No.01141694710300 (Kshs)	Loan Account			69,113.00	282,513.00
Cooperative Bank of Kenya, Ac.No.01141694710301 (Kshs)	Repayment Account			11,542,026.65	8,270,090.90
<b>Total</b>					<b>8,552,603.90</b>

**B. CASH IN HAND**

	2018 – 2019 KShs	2017 – 2018 KShs
Cash in Hand – Held in domestic currency	0.00	0.00
Cash in Hand – Held in foreign currency	0.00	0.00
<b>Total</b>		<b>0.00</b>

**6. ACCOUNTS RECEIVABLE - OUTSTANDING LOANS REPAYMENTS**

Description	2019 – 2020 KShs	2018 – 2019 KShs
Loans to members	24,500,000.00	49,000,000.00
<b>Total</b>		

**7. ACCOUNTS PAYABLE**

	2019 – 2020 KShs	2018 – 2019 KShs
Loans advanced to members payable		
<b>Total</b>		

**West Pokot County Executive Car Loan and Mortgage Scheme Fund**  
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**8. FUND BALANCE BROUGHT FORWARD**

	<b>2019 – 2020</b>	<b>2018 – 2019</b>
	<b>KShs</b>	<b>KShs</b>
Bank accounts	8,552,603.90	15,752,378.90
Cash in hand	0.00	0.00
Accounts Receivables	37,552,603.90	65,247,481.90
Accounts Payables	0.00	0.00
<b>Total</b>	<b>46,105,207.80</b>	<b>80,999,860.80</b>

**9. PRIOR YEAR ADJUSTMENTS**

<b>Description of the error</b>	<b>2019 – 2020</b>	<b>2018 – 2019</b>
	<b>KShs</b>	<b>KShs</b>
Adjustments on bank account balances	0.00	495,103.00
Adjustments on cash in hand	0.00	0.00
Adjustments on payables	0.00	0.00
Adjustments on receivables	0.00	0.00
Others ( <i>specify</i> )	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**West Pokot County Executive Car Loan and Mortgage Scheme Fund**  
**Reports and Financial Statements**  
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VI. OTHER IMPORTANT DISCLOSURES

1. PENDING ACCOUNTS PAYABLE

	<b>2019 – 2020</b>	<b>2018 – 2019</b>
	<b>KShs</b>	<b>KShs</b>
Loans to members	0.00	0.00
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>

