

Enhancing Accountability



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REPORT

OF

THE AUDITOR-GENERAL

ON

**BARINGO COUNTY ELDERLY AND
PERSONS WITH DISABILITY FUND**

**FOR THE YEAR ENDED
30 JUNE, 2017**



REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON BARINGO COUNTY ELDERLY AND PERSONS WITH DISABILITY FUND FOR THE YEAR ENDED 30 JUNE, 2017

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Baringo County Elderly and Persons with Disability Fund set out on pages 1 to 6, which comprise the statement of financial position as at 30 June, 2017, 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. Errors in the Annual Report and Financial Statements

The annual report and financial statements as prepared and presented for audit were not in accordance with the format prescribed by the Public Sector Accounting Standards Board (PSASB) of International Public Sector Accounting Standards (IPSAS) accrual basis and lacking in the following content: -

- 1.1. Key entity information by management;
- 1.2. The board of trustees (or any other corporate governance body for the Fund);
- 1.3. Management team;
- 1.4. Board/ 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. The financial statements are not page numbered;
- 1.15. Other important disclosures;

Consequently, the annual report and financial statements as prepared and presented is incomplete and do not conform to the prescribed framework and format as set out by the PSASB under Section 194 of the Public Finance Management Act, 2012.

2. Inaccuracies in the Financial Statements

The financial statements for the year ended 30 June, 2017 prepared and presented for audit had the following inaccuracies: -

- 2.1. The statement of comparison of budget and actual amounts does not reflect utilization percentages for all components;
- 2.2. The statement of financial performance reflects balance brought forward of Kshs.9,353,778. However, this disclosure is not in line with the requirement of International Public Sector Accounting Standards (IPSAS) No.1 on presentation of the financial statements which requires such opening balances to be reflected in the statement of financial position and not in the statement of financial performance;
- 2.3. The statement of financial position reflects a deficit for the year of Kshs.(1,708,866) which differs with a surplus of Kshs.7,644,912 reflected in the statement of financial performance resulting to unreconciled nor explained variance of Kshs.9,353,778;
- 2.4. The statement of financial performance reflects surplus for the year of Kshs.7,644,912 which differs with a deficit of Kshs.(5,519,891) reflected in the statement of changes in net assets resulting to unreconciled nor explained variance of Kshs.13,164,803;
- 2.5. The statement of financial performance reflects total revenue of Kshs.13,164,803 while the statements of comparison of budget and actual amount reflects total revenue of Kshs.13,811,025 resulting to unreconciled nor explained difference of Kshs.646,222;
- 2.6. The statement of changes in net assets reflects revolving fund and revaluation reserves balances of Kshs.12,891,022 and Kshs.273,781 respectively which are unsupported by schedules and are not reflected in the statement of financial position.
- 2.7. The statement of cashflows reflects net increase in cash and cash equivalents of Kshs.(1,708,866) while re-casted balance is Kshs.7,644,912 resulting to unexplained nor reconciled variance of Kshs.9,353,778.
- 2.8. The statements of comparison of budget and actual amount reflects surplus for the period of Kshs.5,519,891 while re-casting reveals a surplus of Kshs.8,291,134 resulting to unreconciled nor explained difference of Kshs.2,771,243;

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2017 as prepared and presented could not be confirmed.

3. Unsupported Payments

The statement of financial performance for the year ended 30 June, 2017 reflects payments of Kshs.5,519,891 (2016 – Kshs.886,222) and as disclosed in Note 2 to the financial statements. However, the following unsatisfactory matters were noted;

3.1 Unsupported Funds Disbursements

The Kshs.5,519,891 includes loan disbursements to elderly and PWDs of Kshs.3,624,000 while schedules availed for audit reflected a balance of Kshs.4,620,000 resulting to unexplained nor reconciled variance of Kshs.996,000. Further, supporting documents including payment vouchers and beneficiary lists with copies of certificates from National Council for Persons with Disabilities were not provided for audit review. This contravenes Regulation 99(3) of the Public Finance Management (County Governments) Regulations, 2015, which requires every entry in the accounts to be supported by a voucher or other approved document as gazetted by the Cabinet Secretary containing the full details, clear narrations and particulars of the item or items to which it relates.

Under the circumstances, the accuracy and completeness of the disbursement to elderly and PWDs of Kshs.3,624,000 for the year ended 30 June, 2017 could not be confirmed.

3.2 Unsupported Administration Costs and Supplier Payments

The Kshs.5,519,891 includes administration costs and a payment to a supplier of Kshs.250,000 and Kshs.777,245 respectively both totaling Kshs.1,027,245. However, the amounts were not supported by detailed schedules, procurement records and payment vouchers. This contravenes Regulations 99(3) of the Public Finance Management (County Governments) Regulations, 2015, which requires every entry in the accounts to be supported by a voucher or other approved document as gazetted by the Cabinet Secretary containing the full details, clear narrations and particulars of the item or items to which it relates.

Under the circumstances, the accuracy and completeness of the Kshs.1,027,245 for the year ended 30 June, 2017 could not be confirmed.

3.3 NHIF Remittances

The Kshs.5,519,891 also includes NHIF remittances of Kshs.862,600 which was not supported by official acknowledgement receipts from the institution. In addition, a schedule indicating the names of beneficiaries, NHIF numbers and individual monthly remittances were not presented for audit.

Under the circumstances, the accuracy and completeness of NHIF remittances of Kshs.862,600 for the year ended 30 June, 2017 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 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

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final budget of Kshs.10,000,000. However, annual work plan or approved budget estimates were not provided for audit review. This contravenes Regulation 31(a) of the Public Finance Management (County Governments) Regulations, 2015 which requires that all revenue and expenditure shall be entered into the county government budget estimates and approved for one year only. It also contravenes Regulation 99(2) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the approved budget estimates of expenditure shall form the basis of the financial statements for the financial year.

Under the circumstances, the Fund's Management is in breach of the law.

2. Unapproved Persons with Disability Fund Regulations

The Public Finance Management (Baringo County Older Persons and Persons with Severe Disabilities) Regulations, 2015 had not been approved by the responsible County Executive Committee Member nor the County Assembly. Consequently, the Fund has been operating contrary to Section 116(1) of the Public Finance Management Act, 2012.

Under the circumstances, the legal existence of the Fund is doubtful.

3. Non-Response to Management Letter

The Fund Management did not respond to the management letter issued on 14 May, 2020 on the audit contrary to the provisions of Section 31(4) of the Public Audit Act, 2015, which requires the accounting officer to respond within fourteen days from the date of receipt of the draft management letter to the Auditor-General including remedial actions that have been undertaken to address any qualifications in the draft management letter.

To the extend, the Fund's Management is in breach of the law.

4. Late Submission of 2016/2017 Financial Statements

The financial statements for financial year 2016/2017 were submitted to the Auditor General on 20 January, 2020 which was more two (2) years late of the stipulated timeline of 30 September, 2016 as per Section 47(1) of the Public Audit Act, 2015.

To the extend, the Fund's Management is in breach of the law.

5. Irregular SACCO Account

The statement of financial position reflects bank balance of Kshs.7,644,912 as at 30 June, 2017 which was held in two SACCO Society accounts. However, opening and operating SACCO Society accounts, which is not a bank, contravenes Section 119(1) of the Public Finance Management Act, 2012 which states that the County Treasury is responsible for authorising the opening, operating and closing of bank accounts for the county government and its entities, except as otherwise provided by other legislation and in accordance with regulations made under this Act. It also contravenes Section 119(2) of the same Act which states that as soon as practicable, each County Treasury shall establish a Treasury Single Account at the Central Bank of Kenya or a bank approved by

the County Treasury through which payments of money to and by the various county government entities are to be made.

Under the circumstances, the Fund's Management is 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 Disclaimer of Opinion and Conclusion 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 Risk Management Policy

The Fund does not have a risk management strategy contrary to Regulations 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, adequacy and effectiveness of the risk management strategies and controls put in place could not be established.

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 applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are

in compliance with the authorities which govern them, and that public resources are applied in an effective way.


Those charged with governance are responsible for overseeing the 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 Baringo County Elderly and Persons with Disability Fund 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

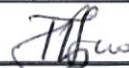
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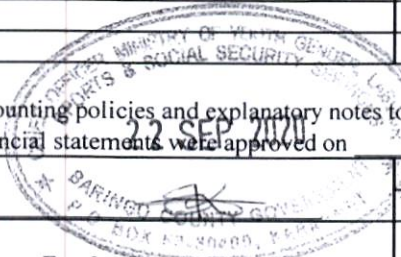
20 January, 2022

BARINGO COUNTY ELDERLY AND PWDS FUND

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2017

1.2 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2017

		2016-2017	2015-2016
		Kshs	Kshs
FINANCIAL ASSETS			
Current Assets			
Cash and Cash Equivalents	3	7,644,912.10	9,353,778.00
Prepayments			
Inventories			
TOTAL FINANCIAL ASSETS		7,644,912.10	9,353,778.00
LESS: FINANCIAL LIABILITIES			
Accounts Payable		-	-
TOTAL FINANCIAL LIABILITIES		-	-
NET FINANCIAL ASSETS/(LIABILITIES)		-	-
REPRESENTED BY			
Fund balance b/fwd		9,353,778.00	10,000,000.00
Surplus/Deficit for the year		(1,708,865.90)	(646,222.00)
Prior year adjustments		-	-
NET FINANCIAL POSITION		7,644,912.10	9,353,778.00
<p>The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 22 SEP 2017 and signed by:</p>			
			
Fund Administrator Name: Gladys M. Kiseku CO		Fund Accountant Thomas Chesaro	Name: CPA ICPAK Member Number 15566



BARINGO COUNTY ELDERLY AND PWDS FUND
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2017

3 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE, 2017

Cash Flows from Operating Activities	Note	2016-2017	2015-2016
		Kshs	Kshs
Receipts for operating income			
Public Contributions and Donations			
Transfers from Baringo County, Loan			
Recovered and Interest Earned	1	13,164,803.12	10,240,000.00
Total Receipts		13,164,803.12	10,240,000.00
Payments for operating expenses			
Disbursement to the Elderly & PWDs	2	3,624,000.00	420,000.00
Administrative Costs	2	250,000.00	466,000.00
NHIF Remittances	2	862,600.00	
Emica Logistics Ltd	2	777,244.85	
Bank Charges/Tax on interest expenses	2	6,046.17	222.00
		5,519,891.02	886,222.00
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		7,644,912.10	9,353,778.00
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		(1,708,865.90)	9,353,778.00
Cash and cash equivalent at BEGINNING of the year		9,353,778.00	-
Cash and cash equivalents as at 30 th June, 2017		7,644,912.10	9,353,778.00

BARINGO COUNTY ELDERLY AND PWDS FUND
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2017

3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30TH JUNE, 2017

	Revolving Fund	Revaluation Reserve	Accumulated Surplus	Total Amount
	Kshs	Kshs	Kshs	Kshs
Balance as at 1st July, 2015	-	-	-	-
Surplus / Deficit for the period	-	-	(886,222)	(886,222)
Funds Received During the Year	10,000,000	-	-	10,000,000
Revaluation Gain	-	240,000	-	240,000
Balance as at 30th June, 2016	10,000,000	240,000	(886,222)	9,353,778
Balance as at 1st July, 2016	9,113,778	240,000	-	9,353,778
Surplus / Deficit for the period	-	-	(5,519,891)	(5,519,891)
Funds Received During the Year	3,777,244	-	-	3,777,244
Revaluation Gain	-	33,781.12	-	33,781
Balance as at 30th June, 2017	12,891,022.00	273,781.12	(5,519,891.02)	7,644,912.10

BARINGO COUNTY ELDERLY AND PWDS FUND
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED

1.5 **STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE,2017**

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	% Utilisation
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Balance Brought Forward	10,000,000	-	10,000,000	10,000,000	-	-
Transfer from County Government	-	-	-	3,777,244	(3,777,244)	-
Interest Income	-	-	-	33,781.12	(33,781)	-
Other Income (Loan Repayment)	-	-	-	-	-	-
Total Income / Revenue	10,000,000	-	10,000,000	13,811,025	(3,811,025)	-
Expenses						
Disbursement to the Elderly & PWDs	-	-	-	-	-	-
Administrative Costs	-	-	-	-	-	-
NHIF Remittances	-	-	-	-	-	-
Emica Logistics Ltd	-	-	-	-	-	-
Bank Charges/Tax on interest expenses	-	-	-	-	-	-
Total Expenses	-	-	-	-	-	-
Surplus / Deficit for the Period	10,000,000.00	-	-	-	-	-

BARINGO COUNTY ELDERLY AND PWDS FUND
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2017
NOTES TO THE FINANCIAL STATEMENTS

1 EXCHEQUER RELEASES/BARINGO COUNTY

Description and reference of the transfer	Date of transfer	2016-2017	2015-2016
		Kshs	Kshs
Revenue from Non-Exchange Transaction			
Balance Brought Forward	1/7/2016	9,353,778.00	10,000,000.00
1st quarter transfer		-	-
2nd quarter transfer	2/12/2016	3,000,000.00	-
3rd quarter transfer	31/1/2017	777,244.00	-
4th quarter transfer		-	-
		13,131,022.00	10,000,000.00
Revenue from Exchange Transaction			
Interest Income/Earned	30/6/2017	33,781.12	240,000.00
		33,781.12	240,000.00
Total		13,164,803.12	10,240,000.00

2 FUND USES / EXPENDITURE / DISBURSEMENT

		2016-2017	2015-2016
		Kshs	Kshs
Disbursement to the Elderly & PWDs		3,624,000.00	420,000.00
Administrative Costs		250,000.00	466,000.00
NHIF Remittances		862,600.00	-
Emica Logistics Ltd		777,244.85	-
Bank Charges/Tax on interest expenses		6,046.17	222.00
Total		5,519,891.02	886,222.00

3 Bank Accounts

Name of Bank, Account No. & currency		2016-2017	2015-2016
		Kshs	Kshs
Boresha Sacco, Main A/c no. 504512804-01 (Kshs)		6,408,912.10	9,113,778.00
Fund Disbursement A/c		1,236,000.00	240,000.00
Total		7,644,912.10	9,353,778.00

[The bank account held by the entity]