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REPUBLIC OF KENYA

THE SENATE

THIRTEENTH PARLIAMENT - THIRD SESSION

REPORT OF THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF THE FOLLOWING COUNTY BURSARY FUNDS FOR THE FINANCIAL YEAR 2020/2021 (1st JULY, 2020 TO 30th JUNE, 2021):

NO.	BURSARY FUND	COUNTY
1.	BARINGO COUNTY EDUCATION BURSARY AND SCHOLARSHIP FUND	BARINGO
2.	BOMET COUNTY BURSARY FUND	BOMET
3.	BOMET COUNTY EDUCATION REVOLVING FUND	BOMET
4.	BUNGOMA COUNTY EDUCATION SUPPORT SCHEME	BUNGOMA
5.	ELGEYO MARAKWET COUNTY EDUCATION FUND	ELGEYO MARAKWET
6.	GARISSA COUNTY SCHOLARSHIP FUND	GARISSA
7.	HOMA BAY COUNTY BURSARY FUND	HOMABAY
8.	KAJIADO COUNTY BURSARY GRANTS AND SCHOLARSHIP FUND	KAJIADO
9.	KERICHO COUNTY BURSARY FUND	KERICHO
10.	KIAMBU COUNTY EDUCATION BURSARY FUND	KIAMBU
11.	KILIFI WARD SCHOLARSHIP FUND	KILIFI
12.	KIRINYAGA COUNTY EDUCATION BURSARY FUND	KIRINYAGA
13.	KISII COUNTY BURSARY FUND	KISII
14.	KWALE COUNTY BURSARY FUND	KWALE
15.	LAIKIPIA COUNTY BURSARY FUND	LAIKIPIA

PAPERS LAID
DATE 5. 12. 24
TABLED BY Sen. Ojienda
COMMITTEE
CLERK AT THE TABLE Angela
APPROVED
RT. HON. SEN
AMASON J. KINGI

16.	LAMU COUNTY BURSARY AND SCHOLARSHIP FUND	LAMU
17.	MACHAKOS COUNTY BURSARY FUND	MACHAKOS
18.	MANDERA COUNTY EDUCATION BURSARY FUND	MANDERA
19.	MARSABIT COUNTY EDUCATION FUND MIGORI	MARSABIT
20.	COUNTY WARD DEVELOPMENT FUND	MIGORI
21.	MOMBASA COUNTY ELIMU FUND	MOMBASA
22.	NAKURU COUNTY BURSARY FUND	NAKURU
23.	NANDI COUNTY EDUCATION FUND	NANDI
24.	NAROK COUNTY BURSARY FUND	NAROK
25.	NYAMIRA COUNTY EDUCATION BURSARY FUND	NYAMIRA
26.	NYANDARUA COUNTY BURSARY FUND	NYANDARUA
27.	NYERI COUNTY ELIMU FUND	NYERI
28.	SAMBURU COUNTY BURSARY FUND	SAMBURU
29.	SIAYA COUNTY EDUCATION BURSARY FUND	SIAYA
30.	TAITA TAVETA COUNTY EDUCATION FUND	TAITA TAVETA
31.	TANA RIVER COUNTY WARD BURSARY FUND	TANA RIVER
32.	THARAKA NITHI COUNTY BURSARY DEVELOPMENT FUND	THARAKA NITHI
33.	TRANS NZOIA COUNTY ELIMU BURSARY FUND	TRANS NZOIA
34.	TURKANA COUNTY EDUCATION AND SKILLS DEVELOPMENT FUND	TURKANA
35.	UASIN GISHU COUNTY BURSARY AND SKILLS DEVELOPMENT SUPPORT FUND	UASIN GISHU
36.	UASIN GISHU COUNTY EDUCATION REVOLVING FUND	UASIN GISHU
37.	VIHIGA COUNTY EDUCATION FUND	VIHIGA
38.	WAJIR COUNTY BURSARY FUND	WAJIR

VOLUME XII

Clerk's Chambers
The Senate
P.O. Box 41842-00100
Nairobi

November, 2024

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ACRONYMS/ABBREVIATIONS

CBK	- Central Bank of Kenya
COB	- Controller of Budget
COG	- Council of Governors
DPP	- Director of Public Prosecution
EACC	- Ethics and Anti-Corruption Commission
GAAP	- Generally Accepted Accounting Principles
IFMIS	- Integrated Financial Management Information System
KRA	- Kenya Revenue Authority
IGRTC	- Intergovernmental Relation Technical Committee
OAG	- Office of the Auditor-General
PAA	- Public Audit Act
PFM	- Public Finance Management
PSASB	- Public Sector Accounting Standards Board
SO	- Standing Orders
TNT	- The National Treasury

DEFINITION OF TERMS

1. **Unqualified opinion:** This refers to a clean opinion which is the most desirable in which the auditor states that the financial condition, position, and operations of an organization are fairly presented in the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).
2. **Qualified opinion:** This is an opinion expressed by the auditor if the financial statements appear to contain a small deviation from Generally Accepted Accounting Principles (GAAP) but are otherwise fairly presented. It is also rendered if the management of the organization limits the scope of audit procedures.
3. **Adverse opinion:** This refers to an opinion issued when there are material exceptions to Generally Accepted Accounting Principles (GAAP) that affect the financial statements as a whole and the auditor indicates that the financial statements are not presented fairly.
4. **Disclaimer:** This is an opinion given by the auditor when there is a significant limitation in the access to audit information and documentation and inadequate cooperation by the organizational management in the audit process.
5. **Accountability** – This refers to the assurance that an individual or a group will be held responsible for their actions or inactions.

PREFACE

Hon. Speaker,

Parliamentary Committees are a creation of the Constitution through Article 124(1) of the Constitution which empowers each House of Parliament to establish Committees and make Standing Orders (SO) for the orderly conduct of its proceedings, including the proceedings of its Committees. The Select Committee on County Public Investments and Special Funds is established pursuant to Standing Order No. 194 of the Senate Standing Orders and is mandated to-

a) Pursuant to Article 96(3) of the Constitution, to exercise oversight over national revenue allocated to the county governments; and
b) examine the reports and accounts of county public investments; and
c) examine the reports, if any, of the Auditor-General on the county public investments; and
d) To exercise oversight over county public investments.

COMMITTEE MEMBERSHIP

Hon. Speaker,

The membership of the Committee comprises of the following Senators-

1. Sen. Godfrey Atieno Osotsi, MP - **Chairperson**
2. Sen. (Prof.) Tom Odhiambo Ojienda, SC, MP - **Vice-Chairperson**
3. Sen. Ledama Olekina, MP
4. Sen. William Kipkemoi Kisang, MP
5. Sen. Paul Karungo Thangwa, MP
6. Sen. Miraj Abdillahi Abdulrahman, MP
7. Sen. Eddy Gicheru Oketch, MP
8. Sen. Hamida Kibwana Ali, MP
9. Sen. Maureen Tabitha Mutinda, MP

COMMITTEE SECRETARIAT

1. Mr. Yussuf Shimoy - Clerk Assistant I
2. Mr. David Angwenyi - Clerk Assistant I
3. Mr. Erick Njogu - Clerk Assistant II
4. Mr. Godfrey Nyaga - Clerk Assistant III
5. Mr. Kennedy Owuoth - Fiscal Analyst
6. Mr. Andrew Nyairo - Legal counsel
7. Ms. Lucy Radoli - Legal counsel
8. Ms. Raisa Mwithi - Research Officer III
9. Ms. Linet Aseka - Research Officer III
10. Mr. Martin Mulandi - Research Officer III
11. Mr. Josphat Ng'enoh - Media Relations officer.
12. Ms. Winfred Ocholla - Audio officer
13. Mr. Patrick Ngenoh - Procurement officer
14. Mr. Josphat Ng'enoh - Media Relations Officer.
15. Ms. Julia Gachoki - Serjent-at-arms

ESTABLISHMENT OF THE COMMITTEE

Hon. Speaker,

The Committee was first constituted on 19th October, 2022 pursuant to Standing Order No. 194 of the Senate Standing Orders. The County Public Investments and Special Funds Committee (CPISFC) was split from the broad County Public Accounts and Investments Committee (CPAIC) in the 12th Parliament for the purpose of clearing audit backlog and to consider many audit thematic areas which had not been subjected to Parliamentary scrutiny since the inception of devolution in the year 2013.

Hon. Speaker,

The County Public Investments and Special Funds Committee is one of the financial audit committees through which the Senate under the provisions of Article 96(3) of the Constitution conducts ex-post scrutiny on Public Investments and Special Funds in Counties.

EXECUTIVE SUMMARY

In the execution of its mandate, the Committee relied on the reports of the Auditor-General on audited Accounts of the County Bursary Funds for the Financial year 2020/2021 (1st July, 2020 to 30th June, 2021) as the primary documents for the investigations. The Committee invited the Governors as the Chief Executive Officers of their respective County Governments pursuant to Article 179(4) as witnesses to respond to the audit queries raised in the reports under consideration.

The Committee received both written and oral evidences from the Governors in response to the various audit queries raised by the Auditor-General in the reports under consideration on various dates. The Committee considered and concluded its inquiry onto the reports of the Auditor-General on the Financial Operations of the County Bursary Funds for the Financial Year 2020/2021.

This report documents the observations and recommendations of the Committee on each audit query as raised by the Auditor-General.

THE PREFACE DETAILS the place of Committees in the Constitution, Committee establishment and mandate, Committee membership and formation, the niche of the Committee in the Senate, the executive summary, key observations and recommendations and acknowledgement.

CHAPTER ONE is a record of the audit queries raised in the report of the Auditor-General for Baringo County Education Bursary and Scholarship Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER TWO is a record of the audit queries raised in the report of the Auditor-General for Bomet County Bursary Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER THREE is a record of the audit queries raised in the report of the Auditor-General for Bomet County Education Revolving Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER FOUR is a record of the audit queries raised in the report of the Auditor-General for Bungoma County Education Support Scheme for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER FIVE is a record of the audit queries raised in the report of the Auditor-General for Elgeyo Marakwet County Education Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER SIX is a record of the audit queries raised in the report of the Auditor-General for Garissa County Scholarship Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER SEVEN is a record of the audit queries raised in the report of the Auditor-General for Homa Bay County Bursary Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER EIGHT is a record of the audit queries raised in the report of the Auditor-General for Kajiado County Bursary Grants and Scholarship Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER NINE is a record of the audit queries raised in the report of the Auditor-General for Kericho County Bursary Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER TEN is a record of the audit queries raised in the report of the Auditor-General for Kiambu County Education Bursary Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER ELEVEN is a record of the audit queries raised in the report of the Auditor-General for Kilifi Ward Scholarship Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER TWELVE is a record of the audit queries raised in the report of the Auditor-General for Kirinyaga County Education Bursary Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER THIRTEEN is a record of the audit queries raised in the report of the Auditor-General for Kisii County Bursary Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER FOURTEEN is a record of the audit queries raised in the report of the Auditor-General for Kwale County Bursary Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER FIFTEEN is a record of the audit queries raised in the report of the Auditor-General for Laikipia County Bursary Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER SIXTEEN is a record of the audit queries raised in the report of the Auditor-General for Lamu County Bursary and Scholarship Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER SEVENTEEN is a record of the audit queries raised in the report of the Auditor-General for Machakos County Bursary Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

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CHAPTER TWENTY is a record of the audit queries raised in the report of the Auditor-General for Migori County Ward Development Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER TWENTY-ONE is a record of the audit queries raised in the report of the Auditor-General for Mombasa County Elimu Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER TWENTY-TWO is a record of the audit queries raised in the report of the Auditor-General for Nakuru County Bursary Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER TWENTY-THREE is a record of the audit queries raised in the report of the Auditor-General for Nandi County Education Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER TWENTY-FOUR is a record of the audit queries raised in the report of the Auditor-General for Narok County Bursary Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER TWENTY-FIVE is a record of the audit queries raised in the report of the Auditor-General for Nyamira County Education Bursary Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER TWENTY-SIX is a record of the audit queries raised in the report of the Auditor-General for Nyandarua County Bursary Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER TWENTY-SEVEN is a record of the audit queries raised in the report of the Auditor-General for Nyeri County Elimu Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER TWENTY-EIGHT is a record of the audit queries raised in the report of the Auditor-General for Samburu County Bursary Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER TWENTY-NINE is a record of the audit queries raised in the report of the Auditor-General for Siaya County Education Bursary Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER THIRTY is a record of the audit queries raised in the report of the Auditor-General for Taita Taveta County Education Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER THIRTY-ONE is a record of the audit queries raised in the report of the Auditor-General for Tana River County Ward Bursary Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER THIRTY-TWO is a record of the audit queries raised in the report of the Auditor-General for Tharaka Nithi County Bursary Development Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER THIRTY-THREE is a record of the audit queries raised in the report of the Auditor-General for Trans Nzoia County Elimu Bursary Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER THIRTY-FOUR is a record of the audit queries raised in the report of the Auditor-General for Turkana County Education And Skills Development Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER THIRTY-FIVE is a record of the audit queries raised in the report of the Auditor-General for Uasin Gishu County Bursary And Skills Development Support Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER THIRTY- SIX is a record of the audit queries raised in the report of the Auditor-General for Uasin Gishu County Education Revolving Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER THIRTY-SEVEN is a record of the audit queries raised in the report of the Auditor-General for Vihiga County Education Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

CHAPTER THIRTY-EIGHT is a record of the audit queries raised in the report of the Auditor-General for Wajir County Bursary Fund for the Financial Year 2020/21 and observations and recommendations of the Committee on each audit query.

GENERAL OBSERVATIONS

1. **Multiple bursaries** – The Committee observed that there were multiple cases across various Counties where students received bursaries from multiple wards within the same County. This led to some deserving students missing out on financial support altogether. Additionally, certain students received bursaries from both the County Bursary Fund and other donors, further limiting the equitable distribution of resources.
2. **Bookkeeping, Preparation & Accuracy of the Financial Statements/ Compliance to Reporting Standards** – The Committee observed that there were various inaccuracies and errors in the financial statements of nearly all Bursary Funds, raising concerns about incompetence, potentially geared towards fraudulent activities. It was noted that accountants faced challenges in adapting to the International Public Sector Accounting Standards (IPSAS) framework required for preparing the financial statements. The Committee also noted that the Public Sector Accounting Standards Board (PSASB) periodically reviews IPSAS to address emerging issues and align with best practices, however some Bursary Funds struggled to apply these updated standards, as evidenced by the audit queries.
3. **Late submission of documents and Unsupported Bursary Disbursements** – The Committee observed fund administrators encountered challenges in timely submission of supporting documents, such as acknowledgment receipts and beneficiary details for bursaries, to auditors during the audit period. This delay contravened Section 62 of the Public Audit Act, Cap. 412B, and hindered the accountability and audit process. Further, the delayed submission of documents by the Funds could also suggest potential document falsification.
4. **Budgetary Control and Performance** – The Committee observed that a number of Bursary Funds had weaknesses in executing their budgets and did not adhere to the approved budget ceilings set for programs. The Funds either over-utilized or under-utilized the appropriated funds. Further, some bursary funds prepared unbalanced budgets contrary to regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015.
5. **Delayed Exchequer Releases Negatively Impacting resourcing of Bursary Funds** – The Committee observed that counties failed to transfer budgeted monies for bursaries to Bursary Funds for onward distribution to deserving students. This was attributed to delayed exchequer releases which affected the overall operations of counties.
6. **Excessive Administrative Expenditure Beyond Stipulated Limits** – The Committee observed that most bursary funds had administration costs exceeding

the 3% budget limit established by Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015.

7. **Financial Statements Signed by Officers Not in Good Standing with Institute of Certified Public Accountants of Kenya (ICPAK)**– The Committee observed that many bursary fund financial statements were signed by officers not in good standing with Institute of Certified Public Accountants of Kenya (ICPAK), due to their failure to participate in required professional development activities. This raised concerns about the credibility of the statements and may indicate underlying governance issues within the Funds.
8. **Development of County-specific regulations from the national PFM** – The Committee observed that certain Bursary Fund regulations were made by County Executive Committee Members (CECM) under the national Public Finance Management (PFM) Act, Cap.412A. However, section 205(1) of this Act grants only the Cabinet Secretary responsible for matters relating to finance the authority to make regulations. Regulations within the County should instead be formulated under county-specific legislation. Furthermore, the reliance on the national Public Finance Management (PFM) Act, Cap. 412A to develop the County-specific regulations highlights the inadequacy of the Offices of the County Attorney in providing necessary legal and technical advice to their counties.
9. **Bursaries not a County Government Function** – Under the Fourth Schedule of the Constitution of Kenya, 2010, county governments are responsible for pre-primary education, polytechnics, home craft centers, and childcare facilities, while the national government oversees universities, tertiary institutions, primary and secondary schools, special education, and research institutions. However, counties have allocated funds for bursaries across primary, secondary, tertiary, and university levels, diverting resources from their constitutionally devolved functions.

GENERAL RECOMMENDATIONS

The Committee recommends that—

1. The County Executive Committee Members responsible for matters relating to Finance ensures that the bursary funds operate under a centralized system across all wards to streamline the allocation of funds and prevent duplicate awards to the same student in order to maximize the reach of financial support, ensuring that as many deserving students as possible have access to these funds.
2. The County Executive Committee Members (CECM) responsible for matters relating to Finance in consultation with the Public Sector Accounting Standards Board conducts continuous capacity building on financial reporting standards for officers preparing the financial statements of the funds so as to improve the quality of reporting and enhance compliance. The CECMs to ensure that the accountants have requisite competency and experience in finanacial management as is required by the Accountants Act.
3. The Accounting Officers of the funds to ensure proper record keeping and provide all the supporing documents to the Auditor-General in accordance with section 9(1)(e) of the Public Audit Act during the time of audit and adhere to the Accountants Act, failure to which the committee shall invoke section 62 of the Public Audit Act.
4. The Fund Administrators of the Bursary Funds should ensure that the Funds comply with regulation 31(c) and regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on preparation of a balanced budget and exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.
5. The National Treasury should ensure timely release of funds to County Governments in line with the cash disbursement schedules approved by the Senate.
6. The Accounting Officers of the Bursary Funds should ensure that the administration costs of the fund do not exceed 3% of the approved budget of the fund, in accordance with regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.
7. The County Executive Committee Members (CECM) responsible for matters relating to Finance to ensure that the capacity of all accountants is enhanced through participation in the professional development activities required by the Institute of Certified Public Accountants of Kenya (ICPAK).
8. The Governors ensure the development and enactment of a County-specific Act to guide the establishment and management of Bursary Fund regulations, ensuring alignment with devolved governance structures. Additionally, the

Governor should ensure that the capacity of all county attorneys is continuously enhanced through participation in the professional development activities to support compliance with constitutional and legal mandates.

9. The Governors ensure that all county-established bursary funds, as funding for primary, secondary, tertiary, and university education are abolished as they are not functions devolved to the County Governments. The allocations used for bursaries should be put into essential county responsibilities outlined in the Constitution.
10. Governors should ensure that all county-established bursary funds are abolished, as funding for primary, secondary, tertiary, and university education falls outside the devolved functions of County Governments. Resources currently allocated to bursaries should be redirected towards essential county responsibilities as outlined in the Constitution.

ACKNOWLEDGEMENT

Hon. Speaker,

The Committee wishes to acknowledge the support it received from the Office of the Speaker and the Clerk of the Senate in the execution of its mandate. I also take this opportunity to thank the Members of the Committee for their due diligence and commitment in the consideration of the audit reports. The Committee further wishes to express its appreciation to the able secretariat for their support and services in facilitating the Members and the Committee in its operations.

Hon. Speaker,

On behalf of the County Public Investments and Special Funds Committee, it is my pleasant duty and privilege to table this report on the floor of the Senate and commend it to the House for debate and adoption pursuant to the provision of Standing Order No. 223 (6) of the Senate Standing Orders.

SIGNED: .....

DATE: 04/12/2024

HON. SEN. GODFREY ATIENO OSOTSI, MP

CHAIRPERSON

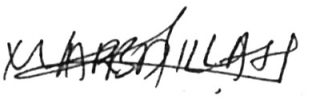
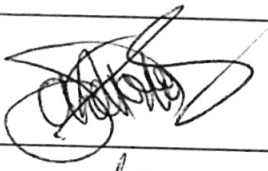
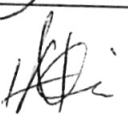
ADOPTION OF THE REPORT OF THE SENATE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF THIRTY-NINE COUNTY BURSARY FUNDS FOR THE FINANCIAL YEAR 2020/2021

NO.	BURSARY FUND	COUNTY
1.	BARINGO COUNTY EDUCATION BURSARY AND SCHOLARSHIP FUND	BARINGO
2.	BOMET COUNTY BURSARY FUND	BOMET
3.	BOMET COUNTY EDUCATION REVOLVING FUND	BOMET
4.	BUNGOMA COUNTY EDUCATION SUPPORT SCHEME	BUNGOMA
5.	ELGEYO MARAKWET COUNTY EDUCATION FUND	ELGEYO MARAKWET
6.	GARISSA COUNTY SCHOLARSHIP FUND	GARISSA
7.	HOMA BAY COUNTY BURSARY FUND	HOMABAY
8.	KAJIADO COUNTY BURSARY GRANTS AND SCHOLARSHIP FUND	KAJIADO
9.	KERICHO COUNTY BURSARY FUND	KERICHO
10.	KIAMBU COUNTY EDUCATION BURSARY FUND	KIAMBU
11.	KILIFI WARD SCHOLARSHIP FUND	KILIFI
12.	KIRINYAGA COUNTY EDUCATION BURSARY FUND	KIRINYAGA
13.	KISII COUNTY BURSARY FUND	KISII
14.	KWALE COUNTY BURSARY FUND	KWALE
15.	LAIKIPIA COUNTY BURSARY FUND	LAIKIPIA
16.	LAMU COUNTY BURSARY AND SCHOLARSHIP FUND	LAMU
17.	MACHAKOS COUNTY BURSARY FUND	MACHAKOS
18.	MANDERA COUNTY EDUCATION BURSARY FUND	MANDERA
19.	MARSABIT COUNTY EDUCATION FUND MIGORI	MARSABIT
20.	COUNTY WARD DEVELOPMENT FUND	MIGORI
21.	MOMBASA COUNTY ELIMU FUND	MOMBASA
22.	NAKURU COUNTY BURSARY FUND	NAKURU
23.	NANDI	NANDI

24.	NAROK COUNTY BURSARY FUND	NAROK
25.	NYAMIRA COUNTY EDUCATION BURSARY FUND	NYAMIRA
26.	NYANDARUA COUNTY BURSARY FUND	NYANDARUA
27.	NYERI COUNTY ELIMU FUND	NYERI
28.	SAMBURU COUNTY BURSARY FUND	SAMBURU
29.	SIAYA COUNTY EDUCATION BURSARY FUND	SIAYA
30.	TAITA TAVETA COUNTY EDUCATION FUND	TAITA TAVETA
31.	TANA RIVER COUNTY WARD BURSARY FUND	TANA RIVER
32.	THARAKA NITHI COUNTY BURSARY DEVELOPMENT FUND	THARAKA NITHI
33.	TRANS NZOIA COUNTY ELIMU BURSARY FUND	TRANS NZOIA
34.	TURKANA COUNTY EDUCATION AND SKILLS DEVELOPMENT FUND	TURKANA
35.	UASIN GISHU COUNTY BURSARY AND SKILLS DEVELOPMENT SUPPORT FUND	UASIN GISHU
36.	UASIN GISHU COUNTY EDUCATION REVOLVING FUND	UASIN GISHU
37.	VIHIGA COUNTY EDUCATION FUND	VIHIGA
38.	WAJIR COUNTY BURSARY FUND	WAJIR

We, the undersigned Members of the Select Committee on County Public Investments and Special Funds, do hereby append our signatures to adopt this report.

No.	Name	Signature
1.	Sen. Godfrey Atieno Osotsi, MP (***Chairperson***)	
2.	Sen. (Prof.) Tom Odhiambo Ojienda, SC, MP (***Vice-Chairperson***)	
3.	Sen. Ledama Olekina, MP	
4.	Sen. William Kipkemoi Kisang, MP	

5.	Sen. Paul Karungo Thangwa, MP	
6.	Sen. Miraj Abdillahi Abdulrahman, MP	
7.	Sen Eddy Gicheru Oketch, MP	
8.	Sen. Hamida Kibwana Ali, MP	
9.	Sen. Maureen Tabitha Mutinda, MP	

CHAPTER ONE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BARINGO COUNTY EDUCATION BURSARY AND SCHOLARSHIP FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Baringo County, Hon. Benjamin Cheboi, EBS, EGH. appeared before the Committee on Friday, 5th April 2024, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Baringo County Education Bursary and Scholarship Fund for the financial year 2020/2021. The Governor was accompanied by:

1. Mr. Wilson Ruto - CECM-Finance
2. Mr. Simon Lonyayo - CECM-Education
3. Mr. Joseph Waiharo - Chief Officer Education
4. Mrs. Winny Megiri - Principal Education Officer
5. Mr. David Rerimoi - Director Accounting

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an **adverse opinion** on the Financial Statements of the Baringo County Education Bursary and Scholarship Fund for the period under review on the following basis-

1. Unsupported Bursary Disbursements to Beneficiaries

The statement of financial performance and the corresponding Note 6(1) to the financial statements reflects bursary disbursements to beneficiaries amounting to Kshs. 19,454,800. However, the balance differs with the supporting schedule balance of Kshs. 29,441,200 resulting to an unexplained variance of Kshs. 9,986,400. Further, the bursary disbursements schedule revealed the following unsatisfactory matters:

i. Bursary payments of Kshs. 216,000 were made in respect of twenty-nine (29) students whose admission numbers were not indicated.
ii. Bursary payments of Kshs. 335,000 were made in respect of fifty-three (53) students who shared the name of institution and admission numbers.
iii. Bursary payments of Kshs. 2,818,400 made in respect of three hundred and forty-three (343) students were not supported by way of cheque numbers.
iv. Payments of Kshs. 922,500 recorded in the cashbook were not supported by way of student name and admission number.

In the circumstances, the accuracy and completeness of bursary disbursements of Kshs. 19,454,800 could not be confirmed.

Management Response

The statement of Financial Performance reflects bursary payments of Kshs 19,454,800 after making amendment on the understatement of Kshs 910,300 for the year ended 30 June 2021. Though, the supporting schedule reflects a balance of Kshs 29,441,200 the

variance of Kshs 9,986,400 were disbursements which spilt over to July and August, 2021 of the following financial year 2021/2022 not within the period under review. However, all disbursement related to the financial year 2020/2021.

The balance of Kshs 19,454,800 has been supported by details of cheque number, name of Institution and list of beneficiaries as in section 16 (6)(1) of the Fund Regulations 2018.

Further, the following bursary disbursement schedules were corrected as under; -

i. Bursary payments of Kshs 216,000 made in respect of twenty-nine (29) students who had their admission numbers inserted.

ii. Bursary payments of Kshs 335,000 made in respects of Fifty-Three (53) students who shared the name of Institution and admission numbers were corrected.

iii. Bursary payments of Kshs. 2,818,400 made in respect of three hundred and forty-three (343) students were supported by way of cheque numbers indicated.

iv. Payments of Kshs. 922,500 recorded in the cashbook were supported by way of student name, learning institution, admission number or cheque number.

Committee Observations

The Committee observed that—

i. The variance noted of Kshs 9,986,400, from the difference between the balance of Kshs 29,441,200 and disbursement of Kshs 19,454,800, was disbursement made for the year 2021/2022 but related to 2020/2021 as it was split from July to August 2021.
ii. The bursary payments were supported by cheques and the admission numbers were included and corrected.

Committee Recommendations

The Committee recommends that—

i. the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;

ii. the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting

records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements; and**

vi. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

2. Inaccuracies in Cash and Cash Equivalents Balance

The statement of financial position and the corresponding Note 10 to the financial statements reflects a cash and cash equivalents balance of Kshs. 13,954,938. However, the bank reconciliation statement for the bank account reflects a balance of Kshs. 14,865,238, resulting to an unexplained variance of Kshs. 910,300. Further, payments totalling to Kshs. 406,984 recorded in the cash books of three (3) Project Management Committees were at variance with actual payments recorded in the bank statements totalling to Kshs. 1,317,284 resulting to unexplained or unreconciled variance of Kshs. 910,300.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs. 13,954,938 could not be confirmed.

Management Response

The statement of financial position as at 30 June 2021 reflects amended cash and cash equivalents balance of Kshs. 13,954,938. The bank reconciliation statement presented in support reflects unpresented cheques amounting to Kshs. 18,735,800 which had not been cleared as at period ended 30th June,2021.

The payments of Kshs. 406,984 recorded in the cashbook were amended to reflect the actual payments of Kshs 1,317,284 to reconcile under payments of Kshs. 910,300 as below:

Date	Payee	Cheque No.	Amount in Cashbook	Amount in Bank statement	Variance
			Kshs	Kshs	Kshs
28-Jun-21	Ngolbelon Secondary school	9721	77,000	77,000	0.00
29-Jun-21	Barpello High school	10003	941,000	941,000	0.00
29-Jun-21	Kiserian Boys high school	9687	299,284	299,284	0.00
Total			**1,317,284**	**1,317,284**	**0.00**

The underpayment of Kshs 910,300 in the cash book was due to typing error and the delay in the availability of the bank statements from September 2021 till the time when the report was prepared.

Committee Observations

The Committee observed that—

i. The payments of Kshs. 406,984 recorded in the cashbook were amended to reflect the actual payments of Kshs 1,317,284 to reconcile under payments of Kshs. 910,300.
ii. The underpayment of Kshs 910,300 in the cash book was due to typing error and the delay in the availability of the bank statements.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of**

the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the period ended 30 June, 2021 reflects a total income final budget of Kshs. 30,000,000 against actual payments balance of Kshs. 19,871,915 resulting to unspent balance of Kshs. 10,128,085 or approximately 34%.

In the circumstances, several needy students may have been denied the opportunity to benefit from the fund during the year under review.

Management Response

It was true that the statement of comparison of budget and actual amounts for the period ended 30 June 2021 reflects a total income final budget of Kshs 30,000,000 against actual payments balance of Kshs 19,871,915 resulting to unspent balance of Kshs 10,128,085 or approximately 34%. However, this was due to late disbursement of the bursary allocation from treasury which made cheques to written in July, 2021 though the beneficiaries lists/schedules relate to the financial year 2020/2021.

Committee Observations

The Committee observed that there was an under expenditure of 34% of the budget as the Fund expended Kshs 19,871,915 out of the projected Kshs 30,000,000 due to late disbursement from treasury.

Committee Recommendations

The Committee recommends that the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

2. Unresolved Prior Year Matters

The audit report for the year ended 30 June, 2020 included audit issues which remained unresolved as at 30 June, 2021. Management has not provided reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

Management Response

It is true that the prior year audit issues were unresolved as at the time when the financial statements for the period under review were submitted since the certificate of the Audit report on the Financial Statements for the prior year had not been received by the department for its further action,

Committee Observations

The Committee observed that the management had not resolved issued raised by the auditor from the previous year's audit as the certificate of audit had not been received for further action.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**

ii. **the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report.**

CHAPTER TWO

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BOMET COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Bomet County, Hon. Prof. Hillary K Barchok, EGH, appeared before the Committee on Thursday, 16th November, 2023 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Bomet County Bursary Fund for the financial year 2020/2021. The Governor was accompanied by the following officers:

1. Mr. Andrew Sigei - CECM – Finance
2. Mrs. Agnes Ngeno - CECM – Education
3. Mr. Erick Chepkwony - Chief Officer – Finance

REPORT ON THE FINANCIAL STATEMENTS

The Auditor General rendered a **qualified opinion** on the financial statements of the Bomet County Bursary Fund for the financial year under review on the following basis-

Other Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual receipts on comparable basis of Kshs. 61,496,660 and Kshs. 45,852,453 respectively, resulting to an underfunding by Kshs. 15,644,207 or 25% of the budget. Similarly, the Fund spent Kshs. 46,214,685 against approved expenditure budget of Kshs. 15,281,975 or 25% of the budget.

The underfunding and under performance affected the planned activities and may have impacted negatively on the service delivery to the public.

Management response

Hon Chair, it is true that the fund didn't receive all the budgeted funds, this was due to cash flow challenges posed by shortfalls in the county revenue and exchequer releases. This was further affected by changes in school calendar after reopening of schools following Covid 19 pandemic.

Committee Observations

The Committee observed that—

i. the Fund had an underfunding of Kshs. 15,644,207 or 25% of the budget during the financial year under review, as a result of late exchequer releases.

ii. the Fund had an under-expenditure of Kshs. 15,281,975 or 25% of the budget during the financial year under review.

Committee Recommendations

The Committee recommends that-

i. **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**

ii. **the National Treasury should ensure timely release of funds to County Governments in line with the cash disbursement schedules approved by the Senate.**

1.0 Undisclosed and Unresolved Prior Year Audit Matters

The disclosure and status of the progress on follow up of the prior year auditor's recommendations was not provided in the financial statements as required by the Public Sector Accounting Standards Board (PSASB).

In the circumstances, the Fund financial statements do not comply with the financial reporting guidelines provided by PSASB pursuant to Section 194 of the Public Finance Management Act, 2012.

Management Response

Non-compliance of prescribed format

The anomalies as per the audit observation were noted and adjusted accordingly in the amended subsequent financial statements for financial year 2021-22.

Lack of Risk Management and Fraud Policy

It is true that we currently don't have risk management policy in place. However, the fund is using County Risk Management Policy currently.

Committee Observations

The Committee observed that the query remains unresolved as the management of the Fund did not take action in resolving the queries raised in the report of the Auditor-General for the financial year 2019/2020.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**

ii. **the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report.**

CHAPTER THREE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BOMET COUNTY EDUCATION REVOLVING FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Bomet County, Hon. Prof. Hillary K Barchok, EGH, appeared before the Committee on Thursday, 16th November, 2023 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Bomet County Education Revolving Fund for the financial year 2020/2021. The Governor was accompanied by the following officers:

1. Mr. Andrew Sigei - CECM – Finance
2. Mrs. Agnes Ngeno - CECM – Education
3. Mr. Erick Chepkwony - Chief Officer – Finance

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the financial statements of the Bomet County Education Revolving Fund for the financial year under review on the following basis-

Failure to Disburse Budget Funds to the Revolving Fund

During the year under review, the county executive of Bomet did not disburse the budgeted amount of Ksh. 20,000,000/- to the Bomet County Education Revolving Fund contrary to regulation 3(a) of the Bomet County Education Revolving Fund Regulations, 2019 which provides that the Fund shall consist of monies appropriated from the County Revenue Fund.

In the circumstances, the fund may not be able to discharge its mandate.

Management Response

The Fund indeed budgeted to receive an amount of Kshs. 20,000,000 by the end of the financial year. However, due to the late release of exchequer by the close of the Financial Year this resulted to underfunding of the same. The Fund hopes that the budgeted amount would be released in full going forward by the on time to avoid disadvantaging deserving cases.

Committee Observations

The Committee observed that the County Executive failed to disburse the budgeted amount of Ksh. 20,000,000/- from the County Revenue Fund (CRF) to the Bomet County Education Revolving Fund.

Committee Recommendations

The Committee recommends that the Governor undertakes administrative action against the CECM – Finance for failure to disburse the budgeted amount of Kshs.20,000,000 from the CRF to Bomet County Education Revolving Fund in accordance with provisions of section 156 of the Public Finance Management Act, Cap.412A.

Other Matter

Progress on Follow-up of Prior year Auditor's Recommendations

In the audit report of the previous year, several issues were raised under Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Control, Risk Management and Governance. However, the Management has not included the issues in the report on progress on follow up of prior year auditors' recommendations and their resolutions nor given any explanations for failure to adhere to the provisions of the Public Sector Accounting Standards Board (PSASB) templates.

Management Response

No response provided.

Committee Observations

The Committee observed that the query remains unresolved as the management of the Fund did not take action in resolving the queries raised in the report of the Auditor-General for the financial year 2019/2020.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**
ii. **the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report.**

CHAPTER FOUR

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BUNGOMA COUNTY EDUCATION SUPPORT SCHEME FOR THE FINANCIAL YEAR 2020/2021

The Governor of Bungoma County, Hon. Kenneth Makelo Lusaka, EGH, appeared before the Committee on Monday, 18th March, 2024 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Bungoma County Education Support Scheme for the financial year 2020/2021. The Governor was accompanied by the following officers:

1. Mr. David Wamanki - CECM-Education
2. Mr. Nicholas Kiboi - C.O -Education
3. Mr. Chrispinus Barasa - CECM - Finance

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Bungoma County Education Support Scheme for the financial year under review on the following basis-

1. Variances between Financial Statements and the Ledger Balances

The statement of financial performance reflects scholarships and other educational benefits of Kshs.98,884,441 and as disclosed under Note 2 to the financial statements. The amount includes grants and transfers to national schools and secondary schools of Kshs.23,716,667 and Kshs.44,113,414 respectively.

However, the schedules provided supported an amount of Kshs.28,695,336 and Kshs.51,164,238 respectively, resulting to unreconciled amounts of Kshs.4,978,669 for national schools and Kshs.7,050,824 for secondary schools. In the circumstances, the accuracy and validity of scholarships and other educational benefits of Kshs.98,884,441 could not be confirmed.

Management Response

The availed supporting schedules were the unreconciled schedules that were not used in the preparation of the financial statements. These schedules included duplications and cases where national schools were classified as secondary schools and vice versa. Unfortunately, the correct schedule was not included in the supporting schedules.

See the attached supporting schedules accounting for grants and transfers to national schools and secondary schools of Kshs.23,716,667 and Kshs.44,113,414 respectively.

Committee Observations

The Committee observed that the management failed to provide schedules in support of Kshs.7,050,824 and Kshs.4,978,669 in relation to disbursements to Secondary Schools and National schools respectively, for audit verification.

Committee Recommendations

The Committee recommends that—

i. **The Ethics and Anti-Corruption Commission (EACC) conducts investigations on the matter and provides a status update on the same to the Senate within sixty (60) days from the adoption of this report;**

ii. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

iii. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

2. **Unsupported Bursary and Scholarship Disbursements**

The statement of financial performance and as disclosed in Note 2 reflects expenditure of Kshs.98,884,441 in respect to disbursements for scholarships and other educational benefits to secondary schools, national schools, vocational training centres, special institutions, colleges and universities. However, the amount of Kshs.98,884,441 includes transfers of Kshs.23,716,667 to national schools which further includes an amount of Kshs.1,606,000 that was not supported by acknowledgement slips from the recipient schools.

Further, the amount of Kshs.98,884,441 includes disbursements of Kshs.4,087,000 to colleges which further includes an amount of Kshs.332,000 that was not supported by acknowledgements from the recipient colleges. In addition, the transfers of Kshs.98,884,441 includes disbursements of Kshs.22,010,000 made to vocational training centres which further includes an amount of Kshs.6,400,000 which was also not supported by acknowledgement receipts from relevant institutions.

In the circumstances, completeness, validity and accuracy of the expenditure totaling Kshs.8,338,000 disbursed to various learning institutions could not be confirmed.

Management Response

a) **Unsupported transfers of KShs. 1,606,000 to schools**

The acknowledgement slips had not been provided by the recipient schools as at the time of the audit. The slips have since been provided. Acknowledgement slips accounting for KShs. 1,606,000

b) **Unsupported transfers of KShs. 332,000 to colleges**

The acknowledgement slips had not been provided by the recipient colleges as at the time of the audit. The slips have since been provided. Acknowledgement slips accounting for KShs. 332,000

c) Unsupported transfers of KShs. 6,400,000 to vocational training centres The acknowledgement slips had not been provided by the recipient vocational training centres as at the time of the audit. The slips have since been provided. Acknowledgement slips accounting for KShs. 6,400,000 Planned Action;

The Management has planned for the automation of the Scheme to enable schools, colleges and vocational training centres to file the returns online. This is expected to forestall future audit queries of the same kind

Committee Observations

The Committee observed that whereas the acknowledgement receipts were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

3. **Unconfirmed Cash and Cash Equivalents**

The statement of financial position reflects cash and cash equivalents balance of Kshs.13,561,019 and as disclosed in Note 4 to the financial statements which relates to the Scheme's current bank account. However, the bank reconciliation statement in support of the cash and cash equivalent balance reflects payments in the cash book not

in bank statement of Kshs.2,528,741 which included stale cheques of Kshs.835,710 that had not been reversed in the cash book.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.13,561,019 could not be confirmed.

Management Response

The cheques had been left to be outstanding to enable the Management to follow up on the reporting status of the beneficiary students.

The Management noted the concern and a reversal of stale cheques amounting to KShs.835,710 was subsequently made in the Cash Book in the month of February, 2024. The prior year adjustments will be made in the Financial Statements for the year 2023/2024.

Committee Observations

The Committee observed that the management failed to provide the cash book extract supporting the reversal of the stale cheques totaling to Kshs.835,710 for audit verification.

Committee Recommendations

The Committee recommends that-

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

ii. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

4. **Inaccurate Comparative Balances**

The financial statements for the year ended 30 June, 2021 reflects Kshs.165,342,411 and Kshs.5,745,460 in respect to scholarships and other educational benefits and cash and cash equivalents comparative balances. However, the audited financial statements for 2019/2020 reflects amounts of Kshs.150,861,337 and Kshs.20,226,634 respectively. The variances of Kshs.14,481,074 and Kshs.14,481,174 respectively, were not

explained or reconciled. Further, although the statement of financial position indicates that the balances for 2019/2020 were restated, no evidence was provided including the restated financial statements to support the restatements.

In the circumstances, the accuracy of the comparative balances in the financial statements for the year ended 30 June, 2021 could not be confirmed.

Management Response

The Management noted the variances and commits to ensure that prior year's adjustments are made in the Financial Statements for the year ending 30th June, 2024.

Committee Observations

The Committee observed that the unreconciled variances of Kshs.14,481,074 and Kshs.14,481,174 in respect to scholarships and other educational benefits and cash and cash equivalents comparative balances were errors which are yet to be reconciled.

Committee Recommendations

The Committee recommends that-

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted expenditure of Kshs.110,000,000 against actual expenditure of Kshs.102,184,441 resulting to an under-expenditure of Kshs.7,815,559. The under expenditure denied the County residents the expected services. Further, the approved budget of the Scheme for the year under review was not provided. As a result, the source of the amounts reflected in the statement of comparison of budget and actual amounts could not be confirmed.

Management Response

a) Under-expenditure of Kshs.7,815,559

The management is in agreement with the audit findings and attributes the under expenditure to the delayed disbursement of funds from the National Government to the County Government which in effect affected transfer of funds from the County Government to the Scheme.

b) Lack of an approved Budget for the Scheme

The Management has noted the concern. At the time of the audit, the Scheme did not have guidelines for preparation of a budget. The County Treasury has since issued Budget Preparation Guidelines that have been used for the subsequent year.

Committee Observations

The Committee observed that-

i. The Fund failed to absorb Kshs.7,815,559 of its budget during the financial year under review due to delays in disbursement of the Exchequer Releases.
ii. The Fund operated without an approved budget during the financial year under review, as it did not have guidelines for preparation of a budget. The County Treasury has since issued Budget Preparation Guidelines.

Committee Recommendations

The Committee recommends that-

i. **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199**

of the Public Finance Management Act on penalties for offences shall apply; and

ii. **the National Treasury should ensure timely release of funds to County Governments in line with the cash disbursement schedules approved by the Senate.**

CHAPTER FIVE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR ELGEYO MARAKWET COUNTY EDUCATION FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Elgeyo Marakwet County, Hon. Wesley Rotich appeared before the Committee on Monday, 5th August 2024 to respond (under oath) to audit queries raised in the Report of the Auditor-General on Financial Statements for Elgeyo Marakwet County Education fund for the Financial Year ended 2020/2021. He was accompanied by –

1. Mr. Alphanas Tanui - CECM Finance
2. Mr. Edwin Kibor - CECM Education
3. Mr. David Chebii - Head of Finance Reporting
4. Mr. M. Jairo - Director Finance

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a Qualified Opinion on the financial statements of Elgeyo Marakwet County Education Fund for the period under review on the following basis –

Unsupported Bursaries Disbursements

The statement of financial performance reflects general expenses of Kshs.27,383,078 as disclosed in Note 7 to the financial statements. The expenditure includes bursaries disbursements to needy students in various learning institutions of Kshs.21,090,328.

However, disbursements of Kshs.17,192,348 sent to various institutions were not supported by acknowledgment receipts from the receiving institutions.

In the circumstances, the accuracy and completeness of bursary disbursements of Kshs.17,192,348 could not be confirmed.

Management Response

Management stated that the Committee ensures that all funds disbursed are acknowledged as required. The committee will always ensure that financial processes and adhered to the later and conforms to the laid down requirements of the relevant Acts governing the Fund.

Committee Observations

The Committee observed that whereas the acknowledgement letters to support a payment of Kshs.17,192,348 were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines

contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

Other Matter

1. Budgetary Control and Performance

The summary statement of comparison of budget and actual amounts reflects on comparable basis total budgeted revenue of Kshs.46,269,563 and actual receipts of Kshs.28,105,562 respectively, resulting in a revenue shortfall of Kshs.18,164,001 or 39% of the budget. Further, the Fund spent an amount of Kshs.28,268,378 against an approved budget of Kshs.46,269,563 resulting in an under-expenditure of Kshs.18,001,185 or 38% of the budget

The shortfall in revenue and under-expenditure constrained execution of planned activities and delivery of services.

Management Response

The amount of Ksh.18,001,185 not transferred as at 30 June 2021 relates to budgetary provision towards fees payment to Tampere University of Applied Sciences and nursing fees. The amount was not received from public contributions since there was outbreak of Covid-19 pandemic which led to suspension of learning and travelling abroad in that year.

Therefore, many students deferred their studies until when suspension of travel was lifted and the situation normalizes.

Committee Observations

The Committee noted that there was a revenue shortfall of Kshs.18,164,001 or 39% of the budget and an under-expenditure of Kshs.18,001,185 or 38% of the budget.

Committee Recommendations

The Committee recommends that the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the

provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for the delay in implementation of the auditors recommendations.

Management Response

The County Executive Committee Member appeared before the County Assembly Select Committee on Public Accounts on 11th October 2023 and on 30th October, 2023 to provide submissions on the matters raised in the Audit Report on The Financial Statements of Elgeyo Marakwet County Education Fund for The Year Ended 30 June 2021.

The County Assembly Select Committee was satisfied with the management response and cleared the matter.

Committee Observations

The Committee observed that the fund had unresolved prior year matters.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**

ii. **the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229(6) of the Constitution, based on the audit procedures performed by the Auditor-General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way-

Unsupported Cooperation with a European University

As previously reported, the statement of financial performance and Note 7 to the financial statements reflects general expenses balance of Kshs.27,383,078 which includes Kshs.5,900,000 transferred to a University in Europe to cater for university fees for students from the County. Review of records indicated that some parents signed agreement with the County Executive of Elgeyo/Marakwet on 20 February, 2020 to enroll twenty-five (25) students in the University and those parents agreed to pay tuition fees for their children. The County Executive also signed a cooperation agreement with the University on 18 September, 2019 whose object was for the University to offer degree programme of Bachelor of Science - Nursing and the County Executive to be responsible for the recruitment of students, finding suitable practical training placement for the students and for accreditation and legalization of the degree programme through Nursing Council of Kenya.

However, the following anomalies were noted:

(i) Management did not provide a policy document on the cooperation with the University.

(ii) The Commission for University Education on 22 June, 2021 confirmed that the University is recognized in Finland and by extension in Kenya, and students facilitated for admission into the University must meet minimum requirements for admission into Universities in Kenya and that upon graduation and return to Kenya, the students should apply to the commission for University Education for recognition and equation of their qualifications, documents were not provided to confirm compliance with these conditions.

In the circumstances, the regularity of an amount of Kshs.5,900,000 transferred to the University in respect of fees could not be confirmed.

Management Response

The 25 students who were enrolled for Bsc. Nursing at Tampere University of Applied Sciences will be graduating on 28th March 2024. During selection for admission to the nursing program, it was ensured that they met the minimum requirements for admission in to universities in Kenya, sample copies of KCSE Certificates for some of the beneficiaries are hereby attached.

The students have also been informed that upon graduation and returning to Kenya, they should apply to the Commission for University Education for recognition and equation of their qualifications.

Committee Observations

The Committee observed that Management did not provide a policy document on the cooperation with the University and evidence to confirm that the students selected met the minimum requirements for admission

Committee Recommendations

The Committee recommends that the the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

CHAPTER SIX

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR GARISSA COUNTY SCHOLARSHIP FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Garissa County, Hon. Nathif Jama Adam appeared before the Committee on Tuesday, 23rd April 2024, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Garissa County Scholarship Fund for the financial year 2020/2021. The Governor was accompanied by:

1. Mr. Abass Ismail - CECM Finance
2. CPA Abdi Nuriye - Head of Treasury
3. Mr. Mohamad Mursal - County Secretary

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the Financial Statements of the Garissa County Scholarship Fund for the period under review on the following basis-

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts had an initial budget of Kshs. 60,000,000 under the recurrent vote (Ministry of education, Youth, Sports and Polytechnics). Later, a supplementary budget was done and the whole amount was revised to zero sum. This therefore meant that no funds were allocated for the education of bright and needy students as stipulated in Section 5 of the Garissa County Scholarship Act, 2014 and its enabling regulations 2018. In the circumstances, the needy students did not benefit from the Fund as intended.

Management Response

During the year under review the Country was hit by Covid-19 pandemic which led to closure of all schools and prohibition of social gatherings. The bursary budget was hence adjusted to zero by the County Executive.

Committee Observations

The Committee observed that that the bursary budget for the year under review was adjusted to zero sum due to the closure of schools during the Covid-19 pandemic.

Committee Recommendations

The Committee recommends that the management adhere to Section 5 of the Garissa County Scholarship Act and its enabling regulations and allocate bursaries to the needy students.

REPORT OF EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Pursuant to section 7(1)(a) of the Public Audit Act, based on the audit procedures performed by the Auditor-General, the internal control, risk management and governance were not effective—

1. Lack of Risk Management Policy

During the year under review, it was noted that the Fund did not have Risk Management Policy in place. This is 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.

In the circumstances, risk management way not have been adequately effective.

Management Response

The County government of Garissa is in the process of preparing a risk management strategy which will also be adopted by the County Scholarship Fund when completed.

Committee Observations

The Committee observed that the management did not have a risk management policy in place to effectively execute internal controls of the bursary fund.

Committee Recommendations

The Committee recommends that the CECM Finance ensures that the Fund Committee puts in place all internal control systems such as Risk Management Policy as provided under regulation 158(1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of all the funds within 90 days after the adoption of the report. Further, the CECM Finance to submit evidence of the same to the Auditor-General for verification. Auditor-General to provide a status update on the same in the subsequent audit cycle.

2. Lack of ICT and Disaster Recovery Plans

Review of the County ICT environment revealed that there was no formal approved ICT policy in place as at 30 June, 2021 which should include Data Security Policy and Disaster Recovery Plans. Further, formally documented and approved processes to manage upgrades for all financial and performance information systems were not in place.

Failure to have a formal approved ICT Policy may expose the Fund to critical loss of data and thus jeopardize operations in case of disaster

Management Response

The County government of Garissa is in the process of developing ICT Policy which will also be adopted by the County Scholarship Fund when completed.

Committee Observations

The Committee observed that the County Government did not have an ICT policy in place but was in the process of developing one.

Committee Recommendations

The Committee recommends that the CECM Finance ensures that the Fund Committee puts in place all internal control systems such as Risk Management Policy as provided under regulation 158(1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of all the funds. Further, the CECM Finance to submit evidence of the same to the Auditor-General for verification. Auditor-General to provide a status update on the same in the subsequent audit cycle.

3. **Failure to hold meetings as required by Garissa County Scholarship Regulations**

During the year under review, the Management of the Fund did not hold any meetings as required by the first schedule of Garissa County Scholarship Fund Regulations of 2018 on conduct of business affairs of the Fund.

Consequently, the governance effectiveness could not be ascertained.

Management Response

The management did not have any sittings since the fund was inactive during the financial year due to lack of funding as a result of Covid-19 pandemic. All social gatherings had been banned plus management sitting allowances and expenses could not be met due to lack of budget allocation

Committee Observations

The Committee observed that the management did not hold any meetings during the year under review due to the Covid-19 pandemic that prohibited social gatherings

Committee Recommendations

The Committee recommends that the management should hold regular meetings as stipulated in the Garissa County Scholarship Regulations.

CHAPTER SEVEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR HOMA BAY COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Homabay County, Hon. Gladys Wanga, EGH, CBS, appeared before the Committee on Monday, 6th May, 2024 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Homabay County Bursary Fund for the financial year 2020/2021. The Governor was accompanied by the following officers:

1. Mr. Solomon Obiero - CECM-Finance
2. Mr. Opere Martin - CECM-Education
3. Mrs. Diana Ongere - Chief Officer-Education
4. Mr. Awuor Wilfred - Director Education

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the financial statements of the Homabay County Bursary Fund for the financial year based on the following basis-

1. Unsupported Receivables

The statement of the financial position reflects receivables of Kshs.50,000,000 as disclosed in Note 4 to the financial statements. The amount relates to borrowings by the county treasury which was not supported by confirmation of receipt by the county treasury, terms of borrowings and explanation on how the funds would be repaid.

In the circumstance the accuracy and completeness of the receivables balance of Kshs. 50,000,000 could not be confirmed.

Management Response

The management wishes to state that, the amount of kshs. 50,000,000 was not a borrowing since the Homa Bay county bursary act 2015 does not allow for internal borrowing from the fund, this amount of kshs. 50,000,000 was an erroneous transfer to the fund account.

The amount was meant to be transferred to the Hombay County Salary Expense Account as per the letter of reference NO. HB/MFEP/DEP/4/15/VOL. 1(14). The amount was then transferred to the intended account.

However, as at the time of erroneous transfer, the treasury was yet to disburse an equivalent amount i.e. Kshs. 50,000,000 which was later transferred (bank statement attached)

Committee Observations

The Committee observed that whereas the management clarified that the amount of kshs. 50,000,000 was not a borrowed amount but actually an erroneous transfer to the fund account, the explanation was provided outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents and any relevant information during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

2. Budgetary Control and Performance

The statement of comparison budget and actual amounts reflects final expenditure budget and actual expenditure on comparable basis of kshs. 109,180,000 and kshs. 2,866,510 respectively, resulting in an under expenditure of kshs. 106,313,490 or 97%. Management explained that there was delay on funds disbursement from County Government hence disbursements were done in the subsequent year.

In the circumstances, the needy students and persons living with disabilities may have been denied necessary support for their education.

Management Response

The management wishes to state that in the financial year under review there was under expenditure of 106,613,490 against a budget of ksh. 109,180,000 and this was due to delayed disbursement of funds.

However, the funds were disbursed to the department in the subsequent year which was later disbursed to the beneficiaries.

Committee Observations

The Committee observed that had an under-expenditure of kshs. 106,313,490 or 97% of the budget during the financial year under review due to delayed disbursement of funds.

Committee Recommendations

The Committee recommends that-

i. **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**

ii. **the National Treasury should ensure timely release of funds to County Governments in line with the cash disbursement schedules approved by the Senate.**

CHAPTER EIGHT

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KAJIADO COUNTY BURSARY GRANTS AND SCHOLARSHIP FUNDS FOR THE FINANCIAL YEAR 2020/2021

The Governor of Kajiado County, Hon. Joseph Jama Ole Lenku, EGH, appeared before the Committee on Monday, 24th June, 2024 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Kajiado County Bursary Grants and Scholarship Funds for the financial year 2020/2021. The Governor was accompanied by the following officers:

1. Mr. Jeremiah Ole Ncharo - CECM- Education
2. Mr. Maison Non - Bursary Fund Manager
3. Mr. Sammy Parashina - Chief Officer-Education
4. Mr. Simon Kipior - Bursary Fund Accountant

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Kajiado County Bursary Grants and Scholarship Funds for the financial year under review on the following basis-

1. Variance between the financial statements and schedules

The statement of financial performance reflects a total expenses balance of ksh 62,077,396 that differed with the supporting schedules amounts of Ksh 22,580,000 resulting to unreconciled variance of Ksh. 39,497,396 as detailed below.

Particulars	Financial statement balance	Supporting schedule balance (ksh.)	Variance (Ksh.)
Other grant and payments (bursary)	59,628,172	22,580,000	37,048,172
Fund administration expenses	1,812,520.00	0	1,812,520,.00
Bank Charges	636,704	0	636,704
Total	**62,077,396**	**22,580,000**	**39,497,396**

In the circumstances the propriety, accuracy and completeness of the total expenses balance of Ksh 62,077,396 could not be confirmed.

Management Response

Supporting schedules for the expenses are now available and attached for verification for Other grants and payments (bursary), Fund administration expenses and Bank Charges respectively.

Committee Observations

The Committee observed that the management did not provide supporting documentation for expenses totaling Kshs. 39,497,396, for audit verification.

Committee Recommendations

The Committee recommends that—

i. **The Ethics and Anti-Corruption Commission (EACC) conducts investigations on the matter and provides a status update on the same to the Senate within sixty (60) days from the adoption of this report; and**
ii. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

2. Inaccurate bank balance

The statement of financial position reflects cash and cash equivalent balance of Kshs. 46,305,780. However, bank reconciliation statement in support of the amount reflects payment in cash book not in bank (unrepresented cheques) of ksh. 182,000 and payments in bank not in cash book of Kshs. 182,000. The statement also reflects receipts in cash book not recorded in bank of Kshs. 50,000,000 that was not supported by a receipt voucher.

In the circumstances the accuracy and completeness and existence of cash and cash equivalence balance of 46,305,780 could not be confirmed.

Management Response

In the Bank Reconciliation Statement for June 2021, an amount of Kshs. 182,000 represents unpresented cheques that were recorded in the cash book but were not in the bank while the other Kshs. 182,000 reflects bank charges that were in the bank statement but not recorded in the cash book. Kshs. 50,000,000 was outstanding in the June Reconciliations since it was a receipt for the year hence posted in the cash book

during the year. It was recorded in the bank after the financial year on 21/7/2021. Attached is a copy of the Bank Statement for your reference.

Committee Observations

The Committee observed that the variances of Kshs. 182,000 and Kshs. 50,000,000 between the Cash book balance and the bank balance of the Fund had not been reconciled as at the time of audit.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure strict compliance with the provisions of regulation 90 (1) of Public Finance Management (County Government) Regulations 2015 with respect to monthly reconciliation of bank statements, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a total income budget of Kshs 100,000,000 against actual receipts of Kshs 100,000,000. The statement also reflects a total expenditure of 100,000,000 against total expenditure of Kshs. 62,077,396 resulting to an under-expenditure of Kshs. 37,922,604 of the budget.

The under expenditure affected the planned activities and may have impacted negatively other service delivery to the public.

Management Response

This was the post-COVID period when schools were affected hence also affecting bursary disbursement as explained in the Statement of Comparison of Budget and Actual Amounts. Therefore, the cheques were issued to the beneficiaries but because the school were closed the beneficiaries held the cheques for longer period before depositing to the bank hence the Kshs 37,922,604 was utilized at the end of the year.

Committee Observations

The Committee observed that the Fund failed to absorb Kshs. 37,922,604 of its budget during the financial year under review.

Committee Recommendations

The Committee recommends that the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government)

Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229 (6) of the Constitution, based on the audit procedures performed by the Auditor General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way –

1. Irregular Appointment of Ward Committee Members

Records provided for audit reveals that the appointment of ward bursary committee members were not supported by their educational qualifications work experience documents and duration of residents in the ward. This is contrary to section 7 of the Kajiado County bursary grants and scholarship Fund bill 2015 that requires a committee member to have at least a primary education certificate with at least 5 years' experience in community affair, meet requirements of chapter six of the Kenyan constitution and be a resident of the ward for at least 5 years.

In the circumstances the fund management was in breach of the law.

Management Response

The auditor relied on section 7 of the Kajiado County Bursary Grants and Scholarship Fund Bill 2015 which was amended. The Kajiado County Bursary Grants and Scholarship Fund Regulation, 2016 which is in operation does not require the listed qualifications. Attached herewith is the Bill 2015 and Regulation 2016.

Committee Observations

The Committee noted observed the Kajiado County Bursary Grants and Scholarship Fund Regulation, 2016, which was in effect at the time of the audit, did not require Ward Committee Members to meet the qualifications outlined in the query.

Committee Recommendations

Noting the clarification by the management, the Committee recommends that the query be marked as resolved.

2. Lack of Equitable Bursary Distribution

Review of bursary awards showed that the disbursements were not supported with ward committee minutes and approved students lists. This contrary to section 10(1) Of Kajiado County Bursary Grants and Scholarship Fund bill, 2015, that requires bursary award to be fair, equitably distributed in all parts of the wards, inclusive and nondiscriminatory, involve public participation, accountable and transparent and efficient in disbursement.

In the circumstances, the fund management was in breach of the law.

Management Response

Section 7(2)(a) of Kajiado County Bursary Grants and Scholarship Fund Regulation, 2016, requires that in awarding education grant or bursary the Committee shall be guided by fairness in allocating monies to all Wards and (b) equitable distribution of allocation of all monies to all Wards in the County. Management has provided Ward Committee Minutes and approved list of beneficiaries to support bursary disbursements.

Committee Observations

The Committee observed that whereas the ward committee minutes and approved students lists in support of the Bursary disbursements were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

3. Lack of vetting bursary applicants

Review of records provided for audit revealed that bursary payments of ksh. 748,000 were disbursed to students without school admission/registration numbers. This contrary to section to section 12 of fund bill, 2015, that requires the committees verify all information provided by the applicants through physical visit of the residence, request for additional information, invitation of applicants to appear in person before the committee and any other applicable method of verification.

In the circumstances, the fund management was in breach of the law

Management Response

The bursary applicants are vetted and approved at the ward level by the Ward Bursary Committee as provided by Section 8 of Kajiado County Scholarship and Bursary Fund Regulation, 2016. Section 8(4)(f) requires application forms to be returned with supporting documents. The supporting documents have details such as the name of the beneficiary, admission/registration and institution. From such records a summary is prepared. The complete schedule for payments amounting to Kshs. 748,000 has been attached.

Committee Observations

The Committee observed that whereas the schedules containing school admission/registration numbers in support of the Bursary disbursements amounting to Kshs. 748,000 were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

CHAPTER NINE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KERICHO COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Kericho County, Hon. Dr. Erick Mutai appeared before the Committee on Tuesday, 6th March 2024 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Kericho County Bursary Fund for the financial year 2020/2021. The Governor was accompanied by:

1. Mr. Richard Tonui - CO Education
2. Mrs. Judith Chirchir - CECM Education
3. Mr. Denis Ruto - Ass. Director Education
4. Mr. George Kirer - Director Accounting

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the Financial Statements of the Kericho County Bursary Fund for the period under review on the following basis-

1. Unsupported General Expenses

The statement of financial performance reflects an amount of Kshs. 12,996,425 in respect of general expenses which includes amounts of Kshs. 902,000 and Kshs. 69,900 in respect of bursary payments to students in universities and polytechnics respectively. However, the payments were not supported by acknowledgements receipts from these institutions.

In addition, bank charges totaling to Kshs. 26,700 were reported as general expenses instead of financial costs.

In the circumstances, the accuracy and completeness of the general expenses of Kshs. 12,996,425 could not be confirmed.

Management Response

The management concurs with the auditors' observation. The payments relate to cheques which were disbursed to serious learning institution around the county. It's worth noting that some of the cheques were picked by individual beneficiaries who acknowledge through signing of cheque dispatch register. We can confirm that the payment was received by the intended institution through our bursary fund bank statement

Further, bank charges totaling to Kshs. 26,700 were reported as general expenses as guided by the financial reporting template.

Committee Observations

The Committee observed that—

i. Bursary payments of Kshs. 902,000 to universities and Kshs. 69,900 to polytechnics were not supported by acknowledgment receipts from these institutions.

ii. The County presented cheque dispatch register as proof that the bursaries were picked by individual beneficiaries.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle; and**

ii. **the Accounting Officer should adhere Section 47 of Public Audit Act, Cap.412B with regards to submit financial statements within three months after the end of the financial year, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B on penalties for offences shall apply.**

2. Unconfirmed Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balances of Kshs. 4,757,449. However, the disclosed Note 10 does not correspond to the Note in the financial statements which should have been Note 5. Further, the bank reconciliation statements for the two (2) bank accounts of the Fund reflected reconciled cash book balances of Kshs. 587,487 and Kshs. 11,466,962 respectively, totalling Kshs. 12,054,449. The resultant difference of Kshs. 7,297,000 was not explained or reconciled.

In addition, the Fund operated two bank accounts contrary to Section 19(1) of the Kericho County Bursaries Fund Act, 2014. Management did not provide the approval to open and operate two (2) bank accounts.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs. 4,757,449 could not be confirmed.

Management Response

The Management is in agreement with the auditor's observations that this was an error in numbering of the notes

Further, the Kshs. 7,297,000 relates to unpresented cheques as at 30th June per the table below.

DATE	INSTITUTION	PV NO.	CHQ NO	AMOUNT
30/6/2021	Champions Driving School	31	2840	950,000
30/6/2021	Champions Driving School	31	2841	900,000
30/6/2021	Champions Driving School	31	2842	989,000
30/6/2021	Mercy Driving School	162	2843	900,000
30/6/2021	Mercy Driving School	162	2844	950,000
30/6/2021	Mercy Driving School	162	2845	980,00
30/6/2021	Mercy Driving School	162	2846	632,000
30/6/2021	Rocky Driving School	194	2848	996,000
TOTAL				7,297,000

In addition, they attached bank reconciliation statements to show the details.

During the time of audit, the fund had two accounts, namely Cooperative and National Bank of Kenya. However, the Cooperative Bank had been inactive and it was closed and all funds transferred to National Bank account as per the attached documents.

Committee Observations

The Committee observed that—

i. The management corrected the numbering of the notes which caused variances to the financial statements.
ii. The unexplained expenditure of Kshs. 7,297,000 relates to unpresented cheques which were later presented for audit.
iii. The County closed the Cooperative Bank account and only operated with the National Bank account.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the**

Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements; and**

vi. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

OTHER MATTERS

1. Budgetary Controls and Performance

The statement of comparison of budget and actual amount reflects final receipts budget and on the comparable basis of Kshs. 81,994,656 and Kshs. 13,257,796 respectively, resulting to an underfunding of Kshs. 68,736,860 or 84% of the budget. Similarly, the fund spent Kshs. 13,462,525 against approved budget of Kshs. 81,994,656 resulting to an underperformance of Kshs. 68,532,131 of 81% of the budget.

The underfunding arid underperformance affected the planned activities may have impacted negatively on service delivery to the public.

Management Response

The management concurs with the auditor's observation that there was an underfunding of 84%. They stated that the underperformance was attributed to non-realization of the revenue targets.

Committee Observations

The Committee observed that the management had a budget of Kshs. 81,994,656 but realized a revenue of Kshs 13,257,796 resulting in an under expenditure of Kshs. 68,736,860 or 84% of the budget.

Committee Recommendations

The Committee recommends that the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

2. Unresolved Prior Year Matters

In audit report of the previous year, several issues were raised under the report or financial statement and reports on lawfulness and effectiveness in use of public resources. However, management has not resolved some of the issues or given any explanation for failure to adhere to the provision of the Public Sector Accounting Standard Board template.

Management Response

The County endeavors to resolve all the prior year matters for example amending the financial statements and Bursary Act as per the auditor's recommendations.

Committee Observations

The Committee observed that the queries raised in the previous audit reports have not been addressed by management constituting material and persistent breach of the applicable laws and guidelines.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of**

section 199 of the Public Finance Management Act on penalties for offences may apply; and

ii. **the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report.**

CHAPTER TEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KIAMBU COUNTY EDUCATION BURSARY FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Kiambu County, Hon. Dr. Kimani Wamatangi, appeared before the Committee on Tuesday, 25th June 2024, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Kiambu County Education Bursary Fund for the financial year 2020/2021. The Governor was accompanied by:

1. Mrs. Nancy Kirumba - CECM-Finance, ICT and Economic Planning
2. Mr. William Kimani - Kiambu County Chief Officer-Finance
3. Mrs. Susan Kimando - Accountant Fund
4. Mr. Max Chege - Senior Legal Counsel

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the Financial Statements of the Kiambu County Education Bursary Fund for the period under review on the following basis-

1.0 Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs. 2,445,931. However, bank reconciliation statement for the month of June, 2021 reflects payments in the bank but not recorded in cashbook totaling Kshs. 10,748,700 which have not been explained or accounted for.

In the circumstance, the accuracy and existence of cash and cash equivalents balance of Kshs. 2,445,931 as at 30 June, 2021 could not be confirmed.

Management Response

The posting of bursary payments of Kshs. 10,748,700 was posted as one figure in the cashbook as opposed to individual beneficiaries as contained in the cheque leaves. This has since been corrected and the individual payments posted accordingly in the cashbook.

Committee Observations

The Committee observed that Kshs. 10,748,700 was a cumulative figure posted on the cashbook for all the bursary beneficiaries. Individual payments have since been posted thus correcting the error.

Committee Recommendations

The Committee recommends that—

i. **The Auditor-General to verifies that the errors were corrected in the subsequent financial year and provide a status update in the subsequent audit cycle;**
ii. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
iii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
iv. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**
v. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**
vi. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

2.0 Accumulated Surplus

The statement of financial position and the statement of changes in net assets reflects accumulated surplus balance of Kshs. 2,445,931. However, the balance was not adjusted with stale cheques totalling to Kshs. 9,986,069 reversed during the year under review.

In the circumstances, the accuracy and completeness of accumulated surplus balance of Kshs. 2,445,931 as at 30th June, 2021 could not be confirmed.

Management Response

Reversal of stale cheques is done on a month-to-month basis as and when the cheques become stale. The reversals had been factored on the receipt side of the cashbook and the cashbook in the Financial Year under review. In so doing, stale cheques had reduced the General Expenses- bursary disbursement and increased the net surplus of the FY.

Committee Observations

The Committee observed that stale cheques totalling to Kshs. 9,986,069 were reversed on the cashbook therefore reducing the general expenses and increasing the net surplus during the year under review.

Committee Recommendations

The Committee recommends that the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

3.0 Accuracy of Statement of Cash Flows

The statement of cash flows reflects nil comparative balance for cash flows from financing activities which vary with the certified audited financial statement balance of Kshs. 10,165,114 resulting to unexplained variance of Kshs. 10,165,114.

In the circumstance, the accuracy of the statement of cash flows for the year ended 30 June, 2021 could not be confirmed.

Management Response

The Kshs. 10,165,114 was erroneously omitted in the presented comparative figures for the financial year under review 2019/2020. This did not affect the financial statement for the financial year under review since the closing balance of FY 2018/2019 of Kshs. 6,227,208.20 was accurately presented as the opening balance for the subsequent year under review.

Committee Observations

The Committee observed that Kshs. 10,165,114 was erroneously omitted from the financial statements during the year under review.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

4.0 General Expenses- Bursary Disbursement

The statement of financial performance reflects general expenses- bursary disbursement balance of Kshs. 100,002,547 which vary with the amount of Kshs. 97,717,800 supported by the general ledger and payment vouchers resulting to a variance of Kshs. 2,284,747 which was not explained or reconciled. Further, the bursary disbursements of Kshs. 100,002,547 were not supported by endorsed ward committee minutes, bursary application register with names and schools and acknowledgement of receipt by beneficiaries in selected schools.

In the circumstance, the general expenses- bursary disbursement expenditure of Kshs. 100,002,547 for the year ended 30 June, 2021 could not be confirmed.

Management Response

During the reporting period, the bursary disbursed were of two categories; an equitable amount distributed across all the wards and a special category group administered contrary. The voucher verified of Kshs. 97,717,800 related to ward category. The observed variance of Kshs. 2,284,747 related to special category group and the listing is hereby attached. Vouchers are bulky and are available for review.

The minutes, bursary application register with names and schools are available for verification.

Committee Observations

The Committee observed that bursary disbursement of Kshs. 100,002,547 included equitable disbursement of Kshs. 97,717,800 and special disbursement of Kshs. 2,284,747 and attached vouchers and application register for review and verification.

Committee Recommendations

The Committee recommends that—

i. **the auditor to review the submitted documents and revert back to the Committee within 60 days after the adoption of this this report; and**

ii. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

REPORT ON LAWFULLNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229(6) of the Constitution, based on the audit procedures performed by the Auditor-General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way-

1. Use of Imprest to Procure Goods and Services

Included in the administration expenses balance of Kshs. 3,778,730 reflected in the statement of financial performance is an expenditure of Kshs. 602,935 incurred on purchase of goods and services through use of imprest. This is contrary to the provisions of Section 91(1) of the Public Finance Management (County Governments)

Regulations, 2015 which states that an imprest is a form of cash advance or a float which the Accounting Officer may authorize to be issued to officers who in the course of duty are required to make payments which cannot conveniently be made through the cash office of a Government entity or bank account. Further, the purchase of goods and services was above the threshold of Kshs. 50,000 reflected in the second schedule of the Public Procurement and Assets Disposal Regulations, 2020.

In the circumstances, the management was in breach of the law.

Management Response

Date	Account No.			Payment Voucher Amount	Amount Used to Procure Directly	Items Procured Directly
11/1/2021	4069			933,590	274,050	DIRECT PROCUREMENT of-(100-Seater Tents, Seats, VIP Seats, Red Carpet, Decor, P.A System, Transportation of seats & Tents, Tables, Entertainment, Master of Ceremony, DJ, Water Tonners, Manilla Paper, Printing Papers Envelopes DL, Envelopes A4, Envelopes A3, FElt Pens, White Board Maker, Highlighter, Notebook,, Box Files Kshs.274,050
11/1/2021	4069			154,575	54,435	DIRECT PROCUREMENT of Hire of tents, bottled water, Sodas and flash disk KSHS.54,435
11/1/2021	4069			266,250	266,250	Direct Procurement of; Pop up banner-outdoor, Hanging banner 10 by 1 Metres, Tear drop Banner, X Banner, Media wall Dummy Cheques, Radio Messaging and news content, TV Messaging and news content, Digital marketing and campaings
12/11/2020	4069			164,775	8,200	DIRECT PROCUREMENT:Hire of seats, Transportation cost of seat, &Hiring of PA Systems Kshs.8,200
				1,519,190	602,935	

The expenditure may be explained as follows: -

- Included in the expenditure of Kshs. 274,050.00 is Kshs. 70,000.00 that were allowances paid to the DJ, Master of Ceremony and Entertainment Groups as per the payment schedule availed. The items that were procured had not reached the threshold of Kshs. 50,000.00 since it was a combination of different items purchased from different places.

- Before the disbursement the secretaries were invited to get a briefing on bursary disbursement. The meeting was held at the Community Hall (Education Office). Expenditure of Kshs. 164,775.00 was incurred during the ward committee secretaries' briefing meeting and the amount in question of Kshs. 8,200.00 used for hiring and transportation of seats to be used in the meeting and the PA system had not met the threshold of Kshs. 50,000.00 to go through procurement process.

Committee Observations

The Committee observed that Kshs. 602,935 included Kshs. 70,000.00 as allowances to the entertainment groups and Kshs. 8,200 for hiring and transportation of seats, that did not need to undergo the procurement process as they did not meet the threshold of Kshs. 50,000.

Committee Recommendations

The Committee recommends that—

i. **the management should ensure strict adherence to section 91(1) of the Public Finance Management (County Governments) Regulations, 2015, with regards to utilization of imprest, failure to which failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

ii. **The Accounting Officer should ensure strict adherence to the second schedule of the Public Procurement and Assets Disposal Regulations, 2020 that sets the limit for purchase of goods and services at Kshs. 50,000 failure to which the provisions of section 177 of the Public Procurement and Assets Disposal Act, Cap.412C on penalties for offences shall apply.**

2. Irregular Allowances

As disclosed in Note 2 to the financial statements, included in the staff costs expenditure of Kshs. 2,784,210 is an amount of Kshs. 2,363,285 paid as allowances to the Fund Administration Committee Members and Management Team. However, the allowances are not provided for in any law, or circulars and the expenditure was not supported with minutes of committee meetings, attendance registers, monitoring and evaluation reports and procurement documents for conference facilities. The allowances were therefore not approved

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

Management Response

The allowances were paid to the ward committee members who are not officers of the County Government. They were ward committee members serving the public's interest across 60 wards. The ward committee minutes and attendance registers are available for review.

Committee Observations

The Committee observed that Kshs. 2,363,285 was paid to ward committee members who were not County Government officers. Management attached committee minutes and attendance register to support the payments.

Committee Recommendations

The Committee recommends that—

i. **the auditor to review the submitted documents and revert back to the Committee within 60 days after the adoption of this this report; and**
ii. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

REPORT OF EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Pursuant to section 7(1)(a) of the Public Audit Act, based on the audit procedures performed by the Auditor-General, the internal control, risk management and governance were not effective—

1. **Failure to Develop Risk Management Strategy**

Audit review of the Fund's internal control process, revealed that the Fund has not developed Risk Management strategies contrary to Regulation 1

Management Response

The management have noted the same and has considered the observation. We shall work towards formulating the Risk Management Strategies and adhere to the Law. We have formulated a draft Risk Management Strategy and are seeking to seek consultancy services through advertisement.

Committee Observations

The Committee observed that the management has developed a draft Risk Management Strategy and are seeking consultancy services through advertisement.

Committee Recommendations

The Committee recommends that—

i. **the Fund management to finalize the formulation of the Risk Management Policy and report back to the Committee within 90 days after the adoption of this report; and**

ii. **the CECM Finance ensures that the Fund Committee puts in place all internal control systems such as Risk Management Policy as provided under regulation 158(1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of all the funds. Further, the CECM Finance to submit evidence of the same to the Auditor-General for verification. Auditor-General to provide a status update on the same in the subsequent audit cycle.**

2. Governance Structure

Audit review of Kiambu County Education Bursary Fund revealed that the Chief Officer Finance and Chairman of the Fund has been on unpaid Leave for three (3) years and the Audit could not establish how he's been part of the Management team and Fund Administration in absentia. The Human Resource Management Advisory Committee recommendations approving leave was not provided for audit verification. The Fund management is therefore in contravention of the Kiambu County Human Resource Policies and Procedure Manual, 2019.

Management Response

It was confirmed that the Chief Officer Finance who is also the Chair Person Bursary Executive Committee was not on unpaid leave at that time.

Committee Observations

The Committee observed that the Chief Officer Finance was not on unpaid leave at the time of audit.

Committee Recommendations

The Committee recommends that members of the Bursary Committee should ensure strict adherence to the Kiambu County Human Resource Policies and Procedure Manual, 2019.

CHAPTER ELEVEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KILIFI WARD SCHOLARSHIP FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Kilifi County, Hon. Gideon Maitha Mung'aro, OGW, appeared before the Committee on Monday, 26th February, 2024 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Kilifi Ward Scholarship Fund for the financial year 2020/2021. The Governor was accompanied by the following officers:

1. Mr. Raymond Ngala - CECM-Finance
2. Mr. Fredrick Nguma - Chief Officer-Education
3. Mrs. Weema Sirya - Fund Administrator-Scholarship
4. Mr. Paul Kariba - Fund Accountant-Scholarship

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a qualified opinion on the financial statements of the Kilifi Ward Scholarship Fund for the financial year based on the following basis-

1. Bursary Payment

The statement of financial performance and Note 3 to the financial statements reflects general expenses (bursary payments) amount of Kshs. 339,500,000, which differs with the ledger amount of Kshs. 343,522,987. The resulting difference of Kshs. 4,022,987 was not explained or reconciled.

Further, the bursary payments were made to students from the thirty -five (35) wards in Kilifi County. However, the lists of beneficiaries were not provided for audit review.

In addition, bursary payments totaling to Kshs. 120,000 were not included in the schedules of payments.

In the circumstances, accuracy and completeness of the general expenses amount of Kshs 339,500,000 could not be confirmed.

Management Response

The fund agrees with the findings. However, the statement of financial performance and note 3 were reconciled with the ledger and changes reflected in the submitted financial statements of Fy 2022/23.

Attached are submitted abstract of statement of financial performance, note 3 and ledger showing how the changes were effected.

The fund concurs with the observations, the list of beneficiaries from 35 wards is hereby attached for verification.

Kshs. 120,000 was included, See attached list of bursary payments schedule abstract of kshs. 120,000 for verification.

Committee Observations

The Committee observed that—

i. The variance of Kshs. 4,022,987 was an error that was corrected in the financial statements of the subsequent financial year therefore, the matter was addressed.
ii. whereas the list of beneficiaries from 35 wards and the bursary payment schedules to support bursary disbursements amounting to Kshs. 120,000 were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**
iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements; and**

vi. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

2. Un-reconciled Cash and Cash Equivalents Balance

The statement of financial position as at 30 June, 2021 reflects cash and cash equivalents balance of Kshs.22,618,538 and as disclosed in Note 4 to the financial statements. However, the statement of cash flows reflects a balance of Kshs. 26,641,525 as at the same date, resulting in a variance of Kshs. 4,027,987. The variance was not explained or reconciled.

Further, un-presented cheques amounting to Kshs. 150,000 issued to students were stale as at 30 June, 2021 while cash book was not updated.

In the circumstances, accuracy and completeness of the cash and cash equivalents balance Kshs. 22,618,513 could not confirmed.

Management Response

The fund agrees with the findings. However, the cash and cash equivalent balance as disclosed in note 4 was reconciled with the statement of cash flow balance to reflect the correct balance of Kshs.22,618,538 and the changes effected in the submitted financial statements of Fy 2022/23.

Attached are abstract of fy 2022/23 cash flow statement and Note 4(now note 5) showing how the changes were reflected.

The cheques amounting to Kshs. 150,000 were not stale but active cheques which were paid as shown in the bank statements abstracts attached.

Committee Observations

The Committee observed that—

i. The variance of Kshs. 4,027,987 was an error which has since been reconciled in the financial statements of the subsequent financial year therefore, the matter was addressed.

ii. whereas the bank statements to support the cheques of Kshs. 150,000 were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer should ensure strict compliance with the provisions of regulation 90 (1) of Public Finance Management (County Government) Regulations 2015 with respect to monthly reconciliation of bank statements, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

ii. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects an expenditure budget of Kshs. 373,430,985 against an actual expenditure of Kshs. 349,719,130 resulting in under expenditure of Kshs. 23,711,855 or 6%.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

The underperformance was largely contributed by ward committees' delay in submitting lists of successful students. This makes the payment and eventually issuing of cheques to cross the financial year. Hence payment accounted in the subsequent year.

Committee Observations

The Committee observed that the fund failed to absorb Kshs. 23,711,855 or 6% of the budget during the financial year under review.

Committee Recommendations

The Committee recommends that the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229 (6) of the Constitution, based on the audit procedures performed by the Auditor General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way –

1. **Non-Compliance with Requirements for Board Composition**

The Fund operated without two Board members during the period under review, contrary to the provisions of Section 13(3)(d) of the Kilifi County Ward Scholarship Fund Act, 2018 on the composition of the Board. Further, regulations were not developed and approved to guide the operation and management of the Fund.

In the circumstances, Management was in breach of the law.

Management Response

The 2 board members have now been appointed. Attached is a copy of appointment letters.

On regulations, the CECM education sent the proposed regulations to the County Assembly for deliberations.

Attached is the submission letter of the proposed regulations to the County Assembly.

Committee Observations

The Committee observed that—

i. The Board of the Fund operated with less Board members than Board composition required by Section 13(3)(d) of the Kilifi County Ward Scholarship Fund Act, 2018, however, the two members have since been appointed.
ii. the Regulations of the Fund have been drafted, however, are yet to be approved by the County Assembly.

Committee Recommendations

The Committee recommends that—

i. **The County Executive Committee Member (CECM) in charge of Finance to ensure strict compliance with Section 13 of the Kilifi County Ward Scholarship Fund Act, 2018 with regards to the appointment of the Ward Scholarship Fund Board; and**
ii. **within 60 days from the adoption of this report, the Governor of Kilifi County engages the County Assembly to ensure that the approval process of the Regulations for the Fund is expedited.**

2. Failure to adhere to the budget allocation

The County Government allocated Kshs.9,700,000 for bursaries to the thirty-five (35) wards in the County during the period under review. However, review of payment schedules revealed that 16 wards spent Kshs.177,348,233 on bursary against their total allocation of Kshs.155,200,000, resulting in an over-expenditure of Kshs.22,148,233.

In addition, 19 wards with an allocation of Kshs.184,300,000 spent Kshs.166,174,754, resulting in an under-expenditure of Kshs.18,125,246.

The over-expenditure and under-expenditure could have denied needy and deserving students opportunity to pursue their education

Management Response

The scholarship Act provides for equal allocation of funds to the 35 wards hence the under-utilized funds are carried forward to the subsequent financial year's ledger of the same ward which when added to the current year's allocation reflect an over allocation.

The second scenario occurs when a ward is not able to utilize all its allocation within the financial year. In this case the balance is carried forward to the subsequent year.

Attached sample of ledgers showing allocations and utilization of scholarship funds.

Committee Observations

The Committee observed that whereas the ledgers showing the allocations and utilization of scholarship funds were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

3. **Un- Budgeted Receipts**

The County Department of Education and ICT made direct payments totaling Kshs.2,929,670 on behalf of the Fund and the same was recognized as receipts by the Fund. The payment was for administration costs which had not been included in budget for the financial year 2020/2021.

In the circumstances, the Fund was in contravention of budgetary control.

Management Response

The Kshs. 2,929,670 was incurred by the Department of Education and ICT in support of scholarship fund's activities. This payment had a budget line in the above-mentioned Department.

Committee Observations

The Committee observed that whereas the management clarified that the amount of Kshs. 2,929,670 was budgeted for in the financial statements of the County Executive, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

CHAPTER TWELVE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KIRINYAGA COUNTY EDUCATION BURSARY FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Kirinyaga County, Hon. Anne Mumbi Waiguru, EGH, OGW, appeared before the Committee on Wednesday, 19th June, 2024 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Kirinyaga County Education Bursary Fund for the financial year 2020/2021. The Governor was accompanied by the following officers:

1. Mrs. Jacqueline Njogu - CECM-Finance
2. Mr.Patrick Mugo - Chief Officer-Education
3. CPA Edward Nyaga - Chief Officer-Finance
4. Mr. Carilus Otieno - Chief Officer-Economic Planning, Budget and Procurement

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the financial statements of the Kirinyaga County Education Bursary Fund for the financial year based on the following basis-

1. Inaccuracies in the Financial Statements

1.1 Variances between the Comparative Balances and the Prior Year Audited Balances

The following comparative balances were at variance with prior year audited financial statements as indicated below;

Account	Note	2020/2021 Comparative Balances (Kshs)	2019/2020 Audited Balances (Kshs)	Variance (Kshs)
Fund Administration Expenses	6	950,000	-	950,000
General Expenses	8	1,928,305	3,024,222	1,095,917
Finance Costs	9	145,917	-	145,917
TOTAL		3,024,222	3,024,222	

In the circumstances, the accuracy and completeness of the comparative balances could not be confirmed.

Management Response

In the financial year 2019/2020 the expenses were reported as a sum figure of Kshs. 3,024,222 as general expenses. In the financial year 2020/2021 the expenses were broken down and reported as specific expenses; Fund administration expenses Kshs.950,000, General Expenses Kshs. 1,928,305 and Finance Costs Kshs. 145,917 whose sum is Kshs. 3,024,222.

Committee Observations

The Committee observed that whereas the management clarified that that the variance in the comparative balances was due to the reporting of the various components separately, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

1.2 Erroneous Treatment of Funds Transferred from the County Executive

The funds received from the County Executive during the year amounting to Kshs.76,500,000 were erroneously reflected under the accumulated surplus column resulting to a total balance of Kshs.91,508,389 which is at variance with the statement of financial position's net balance of Kshs.15,008,389 resulting to an unreconciled variance of Kshs.76,500,000.

Management Response

The funds received from the County Government, Kshs. 76,500,000 reported under accumulated surplus column in the Statement of Changes in Net Assets, should have been reported in the Statement of Financial Performance as transfers from the County Government leading to overstatement of revenue by Kshs. 76,500,000, hence the variance. The variance is corrected by reporting transfers from the County Government in the Statement of Financial Performance as such. In the FY 2021/22, the amount transferred from the County Government, is correctly reported.

Committee Observations

The Committee observed that—

The variance of Kshs.76,500,000 was an error due to misclassification which was corrected in the financial statements of the subsequent financial year, therefore, the query was addressed.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

1.3 Cash and Cash Equivalents

Review of the cash books and other records revealed the following anomalies;

i. The Management did not prepare monthly bank reconciliation statements.

ii. The statement of cash flows reflects cash and cash equivalents balance of Kshs.15,089,389. However, the annual education bursary fund report on disbursements reflected cash and cash equivalents balance of Kshs. 15,706,273 resulting in unexplained variance of Kshs. 616,884.

iii. The annual education bursary fund report on bursary disbursements reflected an amount of Kshs.15,706,273 as bank balance as at 30 June,2021, whereas certificates of bank balances provided for twenty County Wards indicated an amount of Kshs. 15,919,712, resulting in an unexplained variance of Kshs. 213,500.

iv. The statement of cash flows reflects cash and cash equivalents of Kshs. 15,089,389 which was at variance with the balance of Kshs. 15,008,389 reflected in note 10 to the financial statements resulting to un-explained variance of Kshs.81,000. Further, the statement of cash flows reflects a cash and cash equivalents balance of Kshs. 15,089,389 as at 30 June,2021. However, recasting of the balances indicated a net balance of Kshs. 15,008,389 resulting to un-reconciled variance of Kshs. 81,000.

v. The expenditure analysis revealed aggregate bank balances as at 30 June,2021 was Kshs. 15,706,273 for Ward accounts while Note 10 to the financial statements reflects a balance of Kshs.15,008,389 resulting to un-reconciled variance of Kshs. 697,884.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balances could not be confirmed.

Management Response

i. The copies of monthly bank reconciliation statements are attached.

ii. The variance of Kshs. 616,884 constitutes unpresented cheques as at 30 June, 2021 as per attached schedule. The unpresented cheques for Mukure Ward were considered as at 14 July, 2021 since the bank balance was reported as at 14 July, 2021.

iii. The annual education bursary analysis reflects an amount of Kshs. 15,706,273 as bank balances. The bank balance reflected in the analysis for Mukure Ward Kshs. 1,146,193 is the bank balance as at 14 July, 2021. The balance as at 30 June, 2021, which should have been captured in the annual education bursary analysis was Kshs. 1,359,693 giving a variance of Kshs. 213,500.

iv. The cash and cash equivalents amount brought forward on 1/7/2020 was Kshs. 44,698,145. The net increase in cash and cash equivalents was (Kshs. 29,689,756) hence the net cash and cash equivalents as at 30 June, 2021 should have been Kshs.15,008,389. The amount of Kshs. 15,089,389 reflected as net Cash and Cash Equivalents as at 30/06/2021 was a transposition error leading to a variance of Kshs. 81,000.

v. The reported figure of Kshs. 15,706,273 was the bank balances as per the annual education bursary disbursement analysis whereas Kshs. 15,089,389 was the reported cash and cash equivalents in the statement of cash flows. The variance of Kshs. 697,884 is as a result of the variance of Kshs. 616,884 addressed in query number 1.2 (ii) as unpresented cheques and the variance of Kshs. 81,000 addressed in query number 1.2 (iv) as a transposition error.

Committee Observations

The Committee observed that—

i. whereas the monthly bank reconciliation statements were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.
ii. The management clarified that the variance of Kshss. 616,884 within the cashbook of the Fund was due to unpresented cheques.
iii. The variances of Kshss. 213,500, Kshss. 81,000 and Kshss. 697,884 were due to errors which have since been corrected therefore, the query was addressed.

Committee Recommendations

The Committee recommends that—

i. the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle;

ii. the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;

iii. the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;

iv. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

v. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

vi. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

2. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts does not disclose the budget utilization difference. Only the total expenditure row which indicates a utilization percentage of 138% instead of 100% utilization. Further, a detailed approved budget was not provided for audit review.

In the circumstances, the accuracy, validity and completeness of the statement of comparison of budget and actual amounts could not be confirmed.

Management Response

During the year under review, the fund received Kshs. 76,500,000 being transfer from the County Government. In addition, the fund had a balance brought forward of Kshs. 44,698,145 from the previous year thus bringing the total budgetary allocation to Kshs. 121,198,145. The amount of Kshs. 44,698,145 being balance brought forward from the previous year should have been reflected in the Statement of Comparison of Budget and Actual Amounts being part of the original revenue budget therefore giving a total budgetary allocation of Kshs. 121,198,145 against total expenditure of Kshs. 106,189,756 hence a budget utilization of 88%. The approved budget is attached.

Committee Observations

The Committee observed that—

i. whereas the approved budget was provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the

timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

ii. The utilization percentage of 138% was an error which has since been corrected therefore, the query was addressed.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle;**

ii. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iv. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

v. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

vi. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

3. Un-supported Balances in the Financial Statement

Review of the financial statements provided for audit revealed unsupported balances totaling to Kshss.165, 896,290 as below:

Particulars	Note	Amount (Kshs)	Missing Documents
Fund Administration Expenses	6	4,586,500	The post audit revised schedules and supporting journal vouchers
General Expenses	8	101,467,222	The post audit revised schedules and supporting journal vouchers
Finance Costs	9	136,034	The post audit revised schedules and supporting journal vouchers
Cash and Cash Equivalents	10	15,008,389	Bank reconciliations, approved board of survey, ledger and cash books.
Revolving Fund		44,698,145	Note and Detailed supporting schedules or analysis.
Total		**165,896,290**	

Further, the Fund Manager did not provide the general ledger and trial balance for audit review.

Management Response

Under fund administration expenses, the post audit revised schedules and supporting journal vouchers are attached.

Under general expenses, the amount of Kshs. 101,467,222 reflects the bursary disbursed during the year. The post audit revised schedules comprising of schedule showing allocation per ward, journal vouchers and signed lists of beneficiaries are attached.

Under finance costs, attached is a schedule of bank charges per ward incurred in the year under review.

Under Cash and Cash Equivalents, the amount of Kshs. 15,008,389 refers to the reconciled bank balances in the year under review. Bank reconciliations and cash books approved by board of survey are attached.

Under revolving fund, Kshs. 44,698,145 refers to the amount brought forward from the previous financial year. Attached is the detailed supporting schedule.

Committee Observations

The Committee observed that whereas post audit revised schedules, supporting journal vouchers, bank reconciliations, approved board of survey, ledger and trial balance were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

4. Anomalies in Scholarship and Other Educational Benefits

The statement of financial performance reflects general expenses of Kshs.101,467,222 as disclosed in Note 7 to the financial statements. The balance includes scholarship and other educational benefits amounting to Kshss.101,467,222. However, a bursary amount of Kshs.361,050 was awarded and paid in respect of students without admission numbers and bursary payments of Kshs.1,811,275 were paid twice without justification. Further, a bursary amount of Kshs.52,500 was awarded and paid in respect of students who had not applied for the same.

In the circumstances, the accuracy and validity of the bursary payments could not be confirmed.

Management Response

The bursary amount of Kshs. 361,050 comprised of Kshs. 187,550 for students who were awarded. Attached is a summary of the beneficiaries together with acknowledgement receipts with admission numbers from the institutions. The balance of Kshs. 173,500 comprised of applicants who had been vetted and found to have qualified but their admission numbers were missing from the application forms. The

committee allowed a week for the applicants to avail admission numbers. Those who did not meet the deadline were disqualified. Attached is a summary of the list and committee minutes withdrawing the award.

The amount of Kshs. 1,811,275 constitutes of applicants who had been vetted and listed as beneficiaries in the financial year 2019/20 and also applied in the financial year 2020/21 and were vetted and listed as beneficiaries. Bursaries were not disbursed in the FY 2019/20. The bursary for FY 2019/20 was issued in the year 2020/21 alongside the vetted beneficiaries for that financial year.

With respect to the amount of Kshs. 52,500, attached are the beneficiaries' application forms.

Committee Observations

The Committee observed that—

i. whereas the application forms, the list of beneficiaries with admission numbers and committee minutes of award withdrawal were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.
ii. The management clarified that the double payment of bursary disbursements amounting to Kshss. 1,811,275 was due to the disbursement of undisbursed bursaries of FY 2019/2020 in the FY 2020/21.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

Other Matters

Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2021. Management has not provided reasons for the delay in resolving the prior year audit issue. Further, the unresolved prior year issues are not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

Management Response

The prior year Auditor's recommendation progress report is attached. The management has taken corrective measures to ensure disclosure in subsequent reports and to ensure resolution of all prior year issues.

Committee Observations

The Committee observed that the query remains unresolved as the management of the Fund did not take action in resolving the queries raised in the report of the Auditor-General for the financial year 2019/2020.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**
ii. **the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229 (6) of the Constitution, based on the audit procedures performed by the Auditor General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way –

1. Unbalanced Budget

The Fund's statement of comparison of budget and actual amounts for the year ended 30 June, 2021 reflects Kshs. 76,500,000 in respect to approved revenue budget. However, the statement reflects Kshs. 106,189,756 in respect to approved expenditure budget resulting to a deficit budget of Kshs. 29,689,756, and therefore an imbalance in the budget contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that the budget revenue and expenditure appropriations shall be balanced.

Further, the statement of comparison of budget and actual amounts did not include Kshs. 45,315,345 carried forward from the previous year. However, this is contrary to

Regulation 48 of Public Finance Management (County Governments) Regulations, 2015, which states that the reallocations by the County Treasury in terms of Section 154 (2) of the Act shall be included in the next revised budget for submission to and approval by the County Assembly.

In the circumstances, Management was in breach of the law.

Management Response

The statement of comparison of budget and actual amounts should reflect a balanced revenue budget and expenditure budget. The statement of comparison of budget and actual amounts for the year ended 30 June, 2021 reflects a revenue budget of Kshs. 76,500,000 and an expenditure budget of Kshs. 106,189,756, leading to a deficit of Kshs. 29,689,756. The amount of Kshs. 44,698,145 being the balance brought forward from the previous year should have been reflected as part of the revenue budget to bring the total revenue budget to Kshs. 121,198,145. The same amount should have been reflected as the expenditure budget to balance both the revenue and the expenditure budget.

The balance brought forward as reported in the Statement of Changes in Net Assets was Kshs. 44,698,145. The amount of Kshs. 44, 698,145 is the amount that should have been indicated under the budget note 1 and not Kshs. 45,315,349.

Committee Observations

The Committee observed that—

i. the Fund had an unbalanced budget during the financial year under review contrary to section 31 (c) of the Public Finance Management (County Government) Regulations, 2015.
ii. The omission of the balance brought forward of Kshss. 44, 698,145 from the statement of comparison of budget and actual amounts was an error which has since been corrected therefore, the query was addressed.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer should ensure strict adherence to regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that budgeted revenue and expenditure appropriation shall be balanced, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply;**

ii. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iv. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

v. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

vi. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

2. Failure to Present Annual Reports to the County Assembly

Management did not provide evidence that the County Executive Committee Member prepared an annual report and submitted it to the County Assembly on the performance of the fund, the number of beneficiaries disaggregated in accordance with gender and ward, overview of the academic performance of the students supported, overview of enrolment, retention and completion levels of students supported under the Fund.

This was contrary to Regulation 18 (1) of the Public Finance Management (The Kirinyaga County Education Bursary Fund) Regulations, 2016 which provides that the Executive Committee Member shall prepare an annual report which shall be submitted

to the County Executive Committee and transmitted to the County Assembly not later the last day of February each year.

In the circumstances, management was in breach of the law.

Management Response

The annual report for the year under review was due for presentation to the County Assembly by the end of February, 2022 as per PFM Kirinyaga County Education Bursary Fund Regulations, 2016 Section 18 (1) which requires the report to be submitted by the last day of February each year. The report was submitted on 25 November, 2021.

Committee Observations

The Committee observed that whereas evidence of the presentation of the annual report to the County Assembly was provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

3. Excess Expenditure - Administrative Expenses

The statement of financial performance and as disclosed in Note 7 to the financial statements reflects Kshs. 101,467,222 in respect of general expenses. However, included in the expenditure are administrative expenses of Kshs. 4,586,500 which were above the limit of Kshs. 3,000,000 by Kshs. 1,586,500 as per Regulation 3(b) of the Kirinyaga Education Bursary Fund which provides that the Fund shall be used for meeting any expenditure related to administration of the Fund as maybe approved by the Executive Committee Member provided that not more than Kenya shillings one hundred and fifty thousand consisting of the Fund shall be utilized for administration of each Committee.

In the circumstances, Management was in breach of the law.

Management Response

The Ward Bursary Committees met and verified applicants in the financial years 2018/19 and 2019/20. The bursary committees' expenses were not paid in the two financial years. The expenses were paid in arrears alongside those of FY 2020/21. Attached are ward committees' meeting minutes and a schedule showing the payments for each Ward per financial year.

Committee Observations

The Committee observed that the Fund's administration expenses for the financial year under review exceeded the 3% limit of the total budget, as stipulated in Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015.

Committee Recommendations

The Committee recommends that the Accounting Officer to ensure strict compliance with regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015 with regards to the set limit on the Fund's administration costs, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

4. Non-Compliance with Public Sector Accounting Standards Board Requirement

The Fund's financial statements for the year ended 30 June, 2021 provided for audit review reflects the following anomalies.

i. The table of contents includes illustrative information and instructions and the contents were not customized to correctly disclose the Fund's information.
ii. The statement of cash flows shows balances which are not referenced to the relevant notes to the financial statements.
iii. Pages 16 and 18 are blank, while page numbers 21, 23, 24 and 25 were not indicated in the financial statements.

In the circumstances, the Fund's financial statements did not comply with the Public Sector Accounting Standards Board (PSASB) and International Public Sector Accounting Standards Board (IPSAS) format on presentation of Financial Statements.

Management Response

i. The misrepresentation was noted. The anomaly is corrected in the FY 2021/22 by customizing the table of contents to correctly disclose the Fund's information.
ii. The anomaly was noted. In the financial year 2021/22 the Statement of Cashflows is referenced to relevant notes to the financial statements.
iii. The anomaly was noted. The subsequent years' reports do not contain blank pages and page numbers are all indicated in the financial statements.

Committee Observations

The Committee observed that the financial statements were not prepared in compliance with the Public Sector Accounting Standards Board (PSASB) and International Public Sector Accounting Standards Board (IPSAS) format on presentation of Financial Statements, however, the anomalies were corrected in the financial statements of the subsequent financial year.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**
iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure**

to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Pursuant to section 7(1) of the Public Audit Act, based on procedures performed by the Auditor General, the following matter formed the basis for conclusion that internal controls, risk management and overall governance were not effective –

1. Internal Audit Function and Audit Committees

Management did not provide evidence that there exists an Internal Audit Function or an Audit Committee to review and appraise its existing internal controls, with a view to enhancing the Fund's operational efficiency, governance and compliance. In addition, it could not be confirmed that internal audits on the Fund were conducted contrary to Section 73 (4) and (5) of Public Finance Management Act, 2012.

In the circumstances, the effectiveness of internal controls and governance could not be confirmed.

Management Response

The management noted the Auditor's observation regarding lack of an internal audit function and audit committee during the year under review. The County Government confirms that currently it has a duly appointed and functional internal audit function and audit committee as evidenced by the attached appointment letters.

Committee Observations

The Committee observed that the Fund operated without an Internal Audit Function or an Audit Committee during the financial year under review.

Committee Recommendations

The Committee recommends that the County Executive Committee Member (CECM) - Finance ensures that the Fund puts in place all internal control systems such as the Internal Audit Committee as provided under section 155 (5) of the Public Finance Management Act, 2012 among others to guide the internal operations of the Fund. Further, the County Executive Committee Member

(CECM) - Finance to submit evidence of the same to the Auditor General for verification.

2. Lack of risk management policy framework

As previously reported, there was no Risk Management Policy Framework in place to assist the Fund in forecasting, evaluation of risk and identification of procedures for avoiding or minimizing the impact of the risk. This is contrary to Regulation 158 (1) of Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting officer shall ensure that;

(a) the County Government entity develops risk management strategies which include fraud prevention mechanism and

(b) the County Government entity develops a system of risk management and internal controls that builds robust business operations.

In the circumstances, the Fund is exposed to loss and interruption of operations in case of a disaster.

Management Response

The County Government confirms that currently it has a draft risk management policy framework that is awaiting County Assembly approval.

Committee Observations

The Committee observed that the Fund operated without a Risk Management Policy Framework in place during the financial year under review.

Committee Recommendations

The Committee recommends that the County Executive Committee Member (CECM) - Finance ensures that the Fund puts in place all internal control systems such as a Risk Management Policy as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of the Fund. Further, the County Executive Committee Member (CECM) - Finance to submit evidence of the same to the Auditor General for verification.

CHAPTER THIRTEEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KISII COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Kisii County, Hon. Simba Arati, appeared before the Committee on Tuesday, 21st May 2024, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Kisii County Bursary Fund for the financial year 2020/2021. The Governor was accompanied by:

1. Mr. Kennedy Abincha - CECM-Finance
2. Mr. John Nyandanyi - Head of Accounting
3. Mr. Omenyo Mose -Snr. Accountant
4. Mrs. Sheala Moraa -Snr Accountant

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the Financial Statements of the Kisii County Bursary Fund for the period under review on the following basis-

1. Budgetary Control and Performance

The statement of comparison budget and actual amounts for the year ended 30 June, 2021 reflects final revenue budget and actual on comparable basis of Kshs. 146,500,000 and Kshs. 3,396,000 respectively, and resulting in an under-funding of Kshs. 143,104,000 or 98% of the budget. Similarly, the Fund spent an amount of Kshs. 3,398,337 out of the approved expenditure budget of Kshs 146,500,000 resulting in under expenditure of Kshs.143, 101,663 or 98% of the budget.

In the circumstances, the disadvantaged or needy students in Kisii County, may have been denied support to pursue their education and consequently, affecting adversely their continuity in learning and performance in examinations.

Management Response

The management concurred with auditor's findings about the under-funding during this financial year. This is the period during which the Country was recovering from Covid–19 pandemic. There was also fear of re-occurrence of the pandemic. The school calendar issued by the ministry of Education had been totally disrupted for a period of over eight months starting from March, 2020 when learning in schools was suspended. Learners gradually started resuming studies in schools in the New Year of 2021. Even so, it took a while for normal learning in schools to fully start and at the same time the Ward Bursary Committees were not able to timely identify bursary beneficiaries. Similarly, the list of beneficiaries who had been previously selected contained final year students, amongst others, who were about to complete their studies and had possibly cleared fees. The committees needed more time to relook at this list and possibly strike out final year students, and this exercise took a lot of time yet the financial year was drawing to a

close. Consequently, the bursaries program in the FY 2020/2021 was hampered by above elaborated challenges.

Committee Observations

The Committee observed that the management spent an amount of Kshs. 3,398,337 out of the approved expenditure budget of Kshs 146,500,000 resulting in under expenditure of Kshs.143, 101,663 or 98% of the budget due to disruption of the school calendar.

Committee Recommendations

The Committee recommends that the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

REPORT ON LAWFULLNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229(6) of the Constitution, based on the audit procedures performed by the Auditor-General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way-

1. **Irregular Transfer of Funds to County Treasury**

Disclosed in Note 5 to the financial statements under Fund administration expenses are administration fees of Kshs. 3,396,000 which includes an amount of Kshs. 1,832,000 relating to a transfer to Kisii County Treasury for operations. The amount was to be repaid to the Fund after the County Government received its funding from the National Government but the balance was still pending as of 30 November, 2021.

Management Response

The management concurred with the auditor's findings on borrowing of Kshs. 1,832,000 from the bursaries Fund. In the year under review, there was no issuance of bursaries fund because of Covid19, the money was borrowed by County Treasury to help them in paying the cleaning groups who had boycotted work because they had not been paid their wages.

Committee Observations

The Committee observed that Kshs. 1,832,000 was transferred to Kisii County Treasury to help them pay workers who had boycotted work due to delayed wages. The amount has not been refunded by the County Treasury.

Committee Recommendations

The Committee recommends that the County Treasury should refund the money to the Bursary Fund within sixty (60) days of the adoption of this report and the Auditor-General should follow up on the matter and report back to the Committee in the subsequent audit cycle.

CHAPTER FOURTEEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KWALE COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Kwale County, Hon. Fatuma Mohamed Achani, appeared before the Committee on Monday, 4th December, 2023 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Kwale County Bursary Fund for the financial year 2020/2021. The Governor was accompanied by the following officers:

1. CPA Bakari Sebe - CECM Finance
2. Mrs. Mishi Mwakaole - CECM Education
3. Mrs. Sylvia Chidodo - County Secretary
4. Mr. Juma Nzao - CO Education

REPORT ON THE FINANCIAL STATEMENTS

The Auditor General rendered a **Qualified Opinion** on the financial statements of the Kwale County Bursary Fund for the financial year under review on the following basis-

Inaccuracies in the Financial Statements

The financial statements for the year ended 30 June, 2021 submitted for audit review contained anomalies as detailed below:

i. The statement of financial performance indicates that general expenses are disclosed in Note 6A instead of Note 7 to the financial statements. The totals for staff cost as disclosed at Note 6A is Nil balance instead Kshs.1,440,000 as reflected in the statement. Further, the statement indicates that finance cost amounting to Kshs.4,741,618 is at Note 7 instead of Note 8 which indicates the finance cost as Nil. In addition, the total expenses of Kshs.398,181,618 are wrongly presented as other gains/ losses in the statement of financial performance.

ii. Note 15 to the financial statements reflects the cost of furniture and fittings as nil as at 1 July, 2020 instead of Kshs.480,000 as at 30 June, 2020 and 30 June, 2021. Further, the note reflects the cost of computer and office equipment as Nil as at 1 July, 2020 instead of the balance of Kshs.552,902 as at 30 June, 2020.

iii. Note 21 to the financial statements reflects a surplus of Kshs.1,858,457 instead of Kshs.1,818,382 as per statement of financial performance, resulting to a variance of Kshs.40,075 which was not reconciled or explained.

In the circumstances, the accuracy of the financial statements could not be confirmed.

Management Response

The inaccuracies were noted and rectified in the subsequent financial year 2021/2022 statements through journals.

Attached is the financial statements for FY 2021/2022 and journals for your review.

Committee Observations

The Committee observed that the financial statements of the fund contained several errors which were corrected within the financial statements of the subsequent financial year therefore, the query was addressed.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

Other matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final expenditure budget of Kshs. 404,500,000 and total actual expenditure of Kshs.331,095,489 or 82%, resulting in under expenditure of Kshs.73,404,511 or 18%.

The under expenditure may have negatively impacted on the intended beneficiaries of the fund.

Management Response

Whereas the bursary fund management intended to issue the whole budgeted amount for scholarship and bursaries, this could not be achieved because secondary schools and tertiary institutions calendar was adjusted due to the outbreak of COVID 19. This made the funds not to be utilized, however these funds were used in the subsequent year when the school calendar resumed.

Committee Observations

The Committee observed that the fund failed to absorb Kshs.73,404,511 or 18% of the budget during the financial year under review, due to the interruption of the school year as a result of the outbreak of COVID-19.

Committee Recommendations

The Committee recommends that the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229 (6) of the Constitution, based on the audit procedures performed by the Auditor General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way –

1. **Bursaries Issued to Tertiary and Secondary School Students**

Note 6 to the financial statements reflects expenditure on bursaries totalling Kshs.392,000,000, out of which an amount of Kshs.391,300,000 relates to bursaries

issued to tertiary and secondary school students. However, documentary evidence to confirm whether the bursaries were approved by the County Bursary Committee was not provided for audit review. This is contravention of Section 11(2) of the Kwale County Bursary Fund Act, 2014 which states, "the county bursary committee shall approve disbursements of bursaries awarded to students".

In the circumstances, Management was in breach of the law.

Management Response

The Kwale County Bursary Fund 2014 established twenty (20) Ward Bursary Committees; that is, one committee per ward and one (1) committee at the county level; that is the County Bursary Committee. During the period under review, all the 20 Ward Bursary Committees were in place. In accordance with this law, all the bursary applications were scrutinized and verified by the Ward Committees. It is the ward Committees that identified beneficiaries, verified all documents from applicants and finally awarded bursaries to deserving students.

The list of nominees to the County Bursary Committee was submitted to the County Assembly for approval, was approved and gazetted on 17th November, 2020. The members were formerly appointed on 17th February, 2021. This committee is now operational.

Committee Observations

The Committee observed that the County Bursary Committee was not operational when the bursaries amounting to Kshs.391,300,000 were awarded therefore, the bursaries were awarded by the ward bursary committees. However, the County Bursary Committee members were appointed and the Committee is currently operational.

Committee Recommendations

The Committee recommends that the Ward Bursary Committee ensures strict compliance with the provisions of Section 11(2) of the Kwale County Bursary Fund Act, 2014 with regards to the approval of disbursements of bursaries awarded to students.

2. Inadequacy of the Enabling Legislation

As previously reported, the Kwale County Bursary Fund Act, 2014 does not provide for winding up of the Fund, contrary to Regulation 198 of Public Finance Management (County Governments) Regulations, 2015 which states that "the County Executive Committee Member shall provide for the management, operation and winding up procedure in the guidelines for establishing each Fund which shall be in accordance with the Act and these Regulations".

In the circumstances, Management was in breach of the law.

Management Response

The observations on winding up of the fund have been noted and included in the proposed draft bill amendment to the Kwale County Bursary fund Act that the department is currently working on.

Committee Observations

The Committee observed that the Kwale County Bursary Fund Act, 2014 did not provide for the procedure for winding up of the Fund.

Committee Recommendations

The Committee recommends that the County Executive Committee Member (CECM) in charge of Finance in collaboration with the County Assembly ensure that the Kwale County Bursary Fund Act, 2014 is amended to provide for the winding up of the Fund in line with Regulation 198 of Public Finance Management (County Governments) Regulations, 2015, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

CHAPTER FIFTEEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR LAIKIPIA COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Laikipia County, Hon. Joshua Wakahora Irungu, EGH, appeared before the Committee on Monday, 18th March, 2024 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Laikipia County Bursary Fund for the financial year 2020/2021. The Governor was accompanied by the following officers:

1. Mr. Samuel Gachigi – CECM Finance
2. Mr. Mwangi Gichuki – CO Education
3. Mr. Caleb Mwangi – Chief Accountant County Funds

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the financial statements of the Laikipia County Bursary Fund for the financial year based on the following basis—

Misclassification of Trade and Other Payables from Exchange Transactions

The statement of financial position reflects trade and other payables of Kshs. 14,229,500 as at 30 June, 2021. However, the payables were wrongly classified as trade and other payables from exchange transactions instead of trade and other payables from non-exchange transactions.

Further, the amount of Kshs. 14,229,500 was confirmed to be bursaries issued to colleges and universities students in contravention to Section 4(3)(a) and (11)(b) of Laikipia County Education Bursary Act, 2014 that provides for issuance of funds to students at secondary and special primary or secondary levels. In addition, names of the beneficiaries, their national identity card numbers and admission numbers were not provided for audit verification.

In the circumstances, the accuracy and validity of trade and other payables of Kshs. 14,229,500 could not be ascertained.

Management Response

The misclassification of the trade and other payables from exchange transactions as trade and other payables from non-exchange transactions identified by the Auditor was noted and the same has not recurred in subsequent Financial Statements.

Bursaries worth kshs 14,229,500 were issued in favour of needy/ poor County students in Universities and colleges in line with the Section 4 (4) and section 12 of Laikipia

County Education Bursary Act, 2014. The beneficiaries' names were forwarded and approval granted by the CECM.

Committee Observations

The Committee observed that—

i. The management misclassified bursary disbursements amounting to Kshs. 14,229,500 as trade and other payables from exchange transactions instead of trade and other payables from non-exchange transactions. However, this was corrected in the subsequent years' financial statements.
ii. The management clarified that issuance of bursaries to university and college students is supported by Section 4 (4) and section 12 of Laikipia County Education Bursary Act, 2014 therefore the query was addressed.
iii. whereas the names of the beneficiaries, their national identity card numbers and admission numbers were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**
iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of**

the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements; and**

vi. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229 (6) of the Constitution, based on the audit procedures performed by the Auditor General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way –

1. Fund Administration Costs

Section 4(1) of the Laikipia County Education Bursary Fund Act, 2014 provides that not more than three percent of the total monies consisting of the Fund shall be utilized for administration of the Fund. However, during the year under review, a total of Kshs. 1,711,472 was spent on administration and finance costs exceeding the maximum ceiling of Kshs.1,533,000 by Kshs. 178,472.

The Fund Management was therefore, in breach of the law.

Management Response

The maximum ceiling of and finance costs was exceeded by Kshs. 178,472 during the period under review because of the increased activities relating to vetting of University and College needy applicants. It had been noted that some Secondary school students who were sponsored through bursary had not been able to proceed to University/ College due to continued lack of resources prompting the County to intervene by invoking section 4(4) and 12 of the Laikipia County Education Bursary Fund Act, 2014. However, the amount will be refunded in FY 2023/2024 and the Fund Administrator will be informed to be observing the 3% ceiling.

Committee Observations

The Committee observed that the Fund's administration expenses for the financial year under review exceeded the 3% limit of the total budget, as stipulated in Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015.

Committee Recommendations

The Committee recommends that the Accounting Officer to ensure strict compliance with regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015 with regards to the set limit on the Fund's administration costs, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

2. **Wards Education Bursary Committees**

During the year under review, the Laikipia County Education Bursary Education Fund spent a total of Kshs. 1,695,000 on administration expenses. However, the term of Ward Committee Members had expired in January, 2020 and there was no evidence of their renewal.

Further, there were eleven (11) Committee Members as per the payment schedule in Igwamiti Ward, whereas Section 6(2) of the Laikipia County education Bursary Fund Act, 2014 provides for eight (8) Committee Members in each Ward.

In addition, some of the Wards Committee Members did not present their ID copies, KCSE certificates and experiences in community development, education, administration or management and leadership as provided by Section 6(3) the Laikipia County Education Bursary Fund Act, 2014.

The Management was in breach of the law.

Management Response

The above-mentioned irregularities have been responded in the attached appendices

i. According to the ward committees' appointment letters they were constituted/ appointed on 3rd January 2018. Thus, their 3-year term was to end on 3rd January 2020. However, with the spread of Covid 19 Pandemic and the restriction that followed including limited gathering in public places thus affecting nomination process/ formation of new committees.
ii. The committee members were 8 and other three payees listed below comprised the team offering clerical services e.g. data compilation and typesetting.

(a) Kevin Maina
(b) ii. Kevin Ndonga
(c) Mirriam Wangechi

iii. The ID copies, KCSE certificates, Letter of local/ area Chief to confirm that these committees' members are residence of the wards are now provided.

Committee Observations

The Committee observed that—

i. The Ward Committee Members continued to execute their duties despite their terms having expired.
ii. The management clarified that the 3 officers paid alongside the 8 Ward Committee members were a team offering clerical services, therefore the matter was addressed.
iii. whereas the ID copies and qualifications of the Ward Committee Members were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that—

i. **The County Executive Committee Member (CECM) – Education to ensure strict compliance with the provisions of section 6(6) of the Laikipia County Education Bursary Fund Act, 2014 with regards to appointment terms of the Ward Committee Members;**
ii. **the Accounting Officer to take appropriate administrative action on the officers within the Accounts and Finance department who fails to keep complete financial records in accordance with their terms and conditions of appointment or employment and as required by section 156(1) of the Public Finance Management Act, Cap.412A;**
iii. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9 (1) (e) of the Public Audit Act, Cap.412B, failure to which the Committee shall recommend for their investigation and prosecution in line with section 62 (2) of the Public Audit Act, Cap.412B.**

CHAPTER SIXTEEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR LAMU COUNTY BURSARY AND SCHOLARSHIP FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Lamu County, Hon. Issa Abdalla Timamy, EGH, appeared before the Committee on Monday, 11th March, 2024 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Lamu County Bursary and Scholarship Fund for the financial year 2020/2021. The Governor was accompanied by the following officers:

1. Amb. Ali Abbas - County Secretary
2. Mr. Mohamed Ali - CECM Finance
3. Mr. Owanga Sebastian - CECM Education

REPORT ON THE FINANCIAL STATEMENTS

The Auditor General rendered a **qualified opinion** on the financial statements of the Lamu County Bursary and Scholarship Fund for the financial year under review on the following basis-

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2021 reflected an approved budget of Kshs. 125,000,000. However, the Fund managed to absorb Kshs.53,935,551 or 43% of the total expenditure budget, resulting to budget under-absorption of Kshs.71,064,499 or 57% with implication that many bright and needy students may have missed sponsorship by the Management of the Fund.

In the circumstances, the Management was in contravention of Section 3(2) of the Lamu County Bursary and Scholarship Fund Act, 2019 that states that the object and the purpose of the Fund shall be to provide funds to be used for granting bursaries and scholarships to assist students to pursue education at such recognized institutions and to fund other educational activities to improve performance in the education sector.

Management Response

During the year under review because of the aftereffects of Covid-19 few Bursary and scholarship applications were received for the year 2020-2021 hence the low absorption of the budgeted Funds.

Committee Observations

The Committee observed that the Fund failed to absorb Kshs.71,064,499 or 57% of its budget during the financial year under review as a result of the effects of COVID-19.

Committee Recommendations

The Committee recommends that the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229 (6) of the Constitution, based on the audit procedures performed by the Auditor General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way –

Failure to Deduct Income Tax

The statement of financial performance reflects administrative expenses of Kshs.3,715,810 out of which an amount Kshs.920,000 was in respect of sitting allowances for Board Members. However, no income tax was deducted and submitted to the Commissioner of Income Tax as per Section 37(1) of the Income Tax Act, 470.

Consequently, Management was in breach of the law.

Management Response

The Bursary Board addressed this issue through their sitting on 5th October 2021 where members who were filling nil returns were requested to produce documents to support their request to be exempted from the tax deduction. Kindly see attached schedule of payments and KRA payment slip indicating deduction of 5 board members remitted to Kenya revenue authority.

Three other members M/s Susan Kibathi, Mr. Jacob M'alaine and Mr. Athman M. Amin were in the category of tax exemption because they were earning less than KES 24,000 and filling nil returns. One member Mr. Fahad Musa is a person living with disability hence exempted from taxation. (KRA payment slip, extract of Board minutes, National Council of Person Living with Disability I.D card and KRA income tax nil return)

Committee Observations

The Committee observed that whereas evidence showing that the income tax deductions were remitted to the Kenya Revenue Authority (KRA) was provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Pursuant to section 7(1) of the Public Audit Act, based on procedures performed by the Auditor General, the following matter formed the basis for conclusion that internal controls, risk management and overall governance were not effective –

Risk Management Policy

The fund did not have a risk management strategy contrary to Regulation 158 (1) (a) and (b) of the public finance management (County Government Regulations) 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 may be exposed to operational and other control risk.

Management Response

The management has developed a risk management policy. (Copy of Enterprise Risk Management Policy).

Committee Observations

The Committee observed that whereas the Risk Management Policy was provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle; and**

ii. **the County Executive Committee Member (CECM) - Finance ensures that the Fund puts in place all internal control systems such as a Risk Management Policy as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of the Fund. Further, the County Executive Committee Member (CECM) - Finance to submit evidence of the same to the Auditor General for verification.**

CHAPTER SEVENTEEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MACHAKOS COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Machakos County, Hon. Wavinya Ndeti appeared before the Committee on Tuesday, 14th May 2024, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Machakos County Bursary Fund for the financial year 2020/2021. The Governor was accompanied by:

1. Dr. Consolata Mutisya -CECM-Education
2. Mrs. Bernince Kioko -Chief Officer- Education
3. Mr. Julius Kasanga -Chief Officer- Finance
4. Mrs. Cynthia Ngui -Deputy Director Accounting Services

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the Financial Statements of the Machakos County Bursary Fund for the period under review on the following basis-

1. Presentation and Disclosure of the Financial Statements

As disclosed in Note 7 to the financial statement, the statement of financial performance reflects general expenses amount of Kshs. 34,397,982 which includes bursaries totalling to Kshs. 34,309,948. However, the statement of performance against County entity's predetermined objectives on page 6 of the financial statements states that bursaries totalling Kshs. 2,240,052 between the two sets of reports which was not explained or reconciled.

In the circumstances, it was not possible to ascertain the propriety and accuracy of bursaries disbursement during the year ended 30 June, 2021.

Management Response

The management reconciled the difference of Kshs. 2,240,052 which was an addition of bank charges in main Bursary (Kshs. 83,459), Bursary operational accounts (Kshs. 4,575), fund administration expenses (Kshs. 1,966,459) (Balance carried forward for the year). This can be analysed by the reconciliation template provided below;

Reconciliation for Bursary 2020/2021		
Transfers from County Treasury		36,550,000.00
Bank Charges (Bursary Account)	83,459.00	
Bank Charges (Bursary Operations Account)	4,575.00	

Bursaries	34,309,948.00	
Fund Administration Expenses	1,966,050.00	
Surplus	185,968.00	
Total	36,550,000.00	36,550,000.00

Committee Observations

The Committee observed that the variance of Kshs. 2,240,052 in the financial statements was as a result of unreconciled bank charges and fund administration expenses.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure strict compliance with the provisions of regulation 90 (1) of Public Finance Management (County Government) Regulations 2015 with respect to monthly reconciliation of bank statements, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

OTHER MATTER

1. **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects amount of Kshs. 40,261,448 and Kshs. 36,550,000 as budgeted and actual revenue realized during the year respectively resulting to a Kshs. 3,711,448 shortfall equivalents to 9% of the budget. Further, the statement reflects budgeted and actual expenditure of Kshs. 40,261,448 and Kshs. 36,364,032 respectively with a resultant under-performance of Kshs. 3,897,416 or 10% of the budget.

Failure to realize the budgeted receipts from the County Government and the resultant under-expenditure implies that bursaries of equivalent amounts were denied to needy students.

Management Response

The County government budgeted to spend Kshs. 40,261,448 but realized Kshs. 36,550,000 resulting to Kshs. 3,711,448 shortfall equivalent to 9% of the budget. This was occasioned by under collection of local revenue which generally led to under-funding of the County Government projects including the bursary program.

Although the Department of Education budgeted Kshs. 40,261,448 for the FY 202/2021, the amount received in bank account for disbursement was Kshs. 36,550,000. As a result, the department issued bursaries of Kshs. 36,364,032 out of 36,550,000.

Therefore, no underperformance of Kshs. 3,897,416 or 10% of the budget was realized but rather Kshs. 185,968 (Kshs. 36,550,000-36,364,032) or 0.5%. the 0.5% under-performance is negligible.

Committee Observations

The Committee observed that management had budgeted for Kshs. 40,261,448 but received Kshs. 36,550,000 and disbursed bursaries of Kshs. 36,364,032, resulting in an under-performance of Kshs. 185,968 or 0.5% of the total budget.

Committee Recommendations

The Committee recommends that the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, and Report on lawfulness and Effectiveness in Use of Public Resources. However, the management has not disclosed the issues under progress on follow up of prior year auditor's recommendations, 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 and Planning Circular reference No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

Management Response

The unresolved prior year matters relate to FY. 2019/2020. They have already been addressed.

Committee Observations

The Committee observed that the management had not resolved several issues raised by the auditors in the previous financial year.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of**

section 199 of the Public Finance Management Act on penalties for offences may apply; and

ii. **the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report.**

REPORT ON LAWFULLNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229(6) of the Constitution, based on the audit procedures performed by the Auditor-General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way-

1. Unsupported Bursary Disbursements

During the year under review, the fund disbursed bursaries totalling Kshs. 34,309,948 as disclosed in Note & to the financial statements. Included in the amount are bursaries totalling Kshs. 850,000 relating to Wamunyu Ward. Review of documents provided in support of the bursary disbursement revealed that, two hundred and eighty-five (285) students had applied for bursaries. However, a total of three hundred and eight (308) bursaries were awarded which exceeded the number of applicants by twenty-three (23). This casts doubt on fairness and transparency in bursaries issuance process.

In the circumstances, validity, objectivity and regularity of bursaries issuance process for the year ended 30 June, 2021 could not be ascertained.

Management Response

The Wamunyu ward received Kshs. 850,000.00 for 308 beneficiaries. The list of applicants submitted from the County Bursary Committee had 431 applicants.

Committee Observations

Whereas the management provided the list of bursary applicants and were verified by the auditors, the submission was done outside the timelines which constitutes an offence under section 62(2) of the Public Audit Act.

Committee Recommendations

The Committee recommends the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

2. Non-Adherence to Act on Notification of Unsuccessful Applicants

Review of bursary applicants and awards during the year under audit revealed that, a total of 16,909 bursary applications were received out of which 14,785 applicants were awarded whereas the remaining 2,124 applicants were unsuccessful. However, no evidence was presented to show that the Fund management notified the unsuccessful applicants indicating the reasons as to why they were not awarded. This is contrary to Regulations 22(2) and (4) of the Machakos County (Bursary Fund) Regulations, 2014 which provides that, bursary award Committee shall notify the unsuccessful applicants and state the reason for refusal to award bursary and right to appeal the County Bursary Committee.

In the circumstances, management was in breach of the Regulations.

Management Response

A list of successful and unsuccessful applicants was sent to the ward offices and pinned on the notice boards. The County bursary committee did not receive appeals from unsuccessful applicants.

Committee Observations

The Committee observed that management attached a list of the unsuccessful bursary applicants on the ward offices notice boards and did not receive appeals from those applicants.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle; and**

ii. **management should adhere to Regulations 22(2) and (4) of the Machakos County (Bursary Fund) Regulations, 2014 which provides that, bursary award Committee shall notify the unsuccessful applicants and reason for refusal to award bursary.**

CHAPTER EIGHTEEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MANDERA COUNTY EDUCATION BURSARY FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Mandera County, Hon. Mohamed Adan Khalif, EGH, appeared before the Committee on Monday, 21st February, 2024 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Mandera County Education Bursary Fund for the financial year 2020/2021. The Governor was accompanied by the following officers:

1. Mr. Ibrahim. M - CECM-Finance
2. Mr. Abdullahi Mohamed - Fund Administrator
3. Mr. Abdirahim Abdow - Fund Accountant
4. Mr. Abdikadir Tache - Chief Officer Financial and Accounting Services

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Mandera County Education Bursary Fund for the financial year under review on the following basis-

Unsupported Bursary Disbursements

The statement of financial performance and Note 3 to the financial statements reflect general expenses of Kshs.91,513,422. Included in the balance is an amount of Kshs.91,115,942 in respect of bursary disbursements. However, examination of payment vouchers and supporting documents including ward bursary vetting and award files provided for audit revealed the following un-explained variances between bursary awards by ward committees and actual bursary disbursements;

Ward	Bursaries Awarded (Kshs.)	Bursaries Disbursed (Kshs.)	Variance (Kshs.)
Sala	829,036	1,233,305	(404,269)
Dandu	1,333,280	1,533,281	(200,001)
Takaba South	1,228,180	1,181,180	47,000
Kutulo	4,255,495	2,910,320	1,345,175
Wargadud	1,588,613	1,800,000	(211,387)

Neboi	4,124,301	1,754,001	2,370,300
Elwak North	1,602,153	2,810,144	(1,207,991)
Shimbit Fatuma	2,753,483	2,351,000	402,483
Derkale	1,885,083	3,066,000	(1,180,917)
Gither	1,909,413	2,091,746	(182,333)
Elwak South	3,761,378	4,208,416	(447,038)
Fino	997,229	1,187,000	(189,771)
Waranqara	1,697,520	1,399,630	297,890
Khallio	1,420,121	1,425,621	(5,500)
Guticha	2,171,178	1,326,500	844,678
Lafey	2,390,405	2,360,405	30,000
Lagsure	1,109,125	1,933,193	(824,068)

In the circumstances, the accuracy, completeness and regularity of bursary disbursements balance of Kshs.91,115,942 could not be confirmed.

Management Response

The bursary allocation criteria to wards are based on population, poverty level, and the number of public schools in the ward, among other factors. Some wards were identified as particularly impoverished, where parents struggled to afford simple basic day to day needs. Consequently, Members of the County Assembly for such wards lobbied for additional allocations to ensure each needy student from their ward benefitted from the kitty.

Moreover, during the disbursement of the bursary funds, the committee observed that certain wards experienced an influx of student applications beyond the initially estimated number, while others received fewer applications than anticipated. This discrepancy led to the noted variance in allocations.

The coronavirus pandemic and persistent biting drought in the county brought about significant changes in economic conditions, resulting in fluctuations in living expenses that adversely affected parents' and guardians' ability to pay their children's school fees. As a response to these challenges, the board resolved to allocate additional funds to the

most affected wards beyond the original awards made by the ward committee. This adjustment was necessary to address the heightened financial strain experienced by families during this unprecedented time.

Committee Observations

The Committee observed that whereas the evidence which showed that the Board resolved to allocate additional funds to some wards that were identified as needy was provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements. However, Management had not resolved the issues nor disclosed all the prior year matters as provided by the Public Sector Accounting Standards Board templates.

Management Response

The management maintains correspondence with the auditor throughout various stages of audit from the time of engagement, through the entry meeting, and at the levels of management letters and draft reports. The management utilized these channels to address prior-year audit issues as well as issues pertinent to the period under review. Additionally, the fund's audit reports are occasionally discussed by the Mandera County Assembly Education Committee.

The issues outstanding in the audit certificate of the financial year 2019/2020 have been reviewed by the auditor and pending to be reviewed by the senate special funds committee.

Further, disclosure on prior year matters has been made in the financial statement as required by the Public Sector Accounting Standards Board templates. This disclosure appears in Note 13 of the financial statement and is available review.

Copies of evidence of correspondence with the auditor, Mandera County Assembly Education committee reports, and n9te 13 of the financial statement are available for audit review.

Committee Observations

The Committee observed that the query remains unresolved as the management of the fund did not take action in resolving the queries raised in the report of the Auditor-General for the financial year 2019/2020.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**
ii. **the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229 (6) of the Constitution, based on the audit procedures performed by the Auditor General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way –

1.0 Non-Preparation of Annual Estimates and Work Plans

During the financial year under review, Management did not prepare and present annual estimates to the Trustees for approval as required by Section 25(1)(2) and (3) of Mandera County Education Bursary Act, 2014. In addition, no evidence of quarterly reports on the receipts into and issues out of the Fund were submitted in accordance with Section 18(2)(e) of the Bursary Act.

In the circumstances, Management was in breach of the law.

Management Response

The fund has prepared and approved its annual estimates as required by the Act.

The Mandera County Education Bursary Act of 2014, which mandated the preparation of quarterly reports on the receipts into and issues out of the fund by the Executive Member for gazettement by the 21st of every four months, has been superseded by the amended Mandera

County Education Bursary Fund Act of 2015. This amended bill requires the quarterly financial statement to be submitted to the Office of the Controller of Budget. Copies of the approved budget estimates, quarterly reports, and Act's amendment are available for review.

Committee Observations

The Committee observed that whereas the budget and quarterly reports were provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

2.0 Turkey Scholarship Program

Disclosed at Note 3 to the financial statements is an expenditure of Kshs.91,115,942 which relates to disbursed bursaries. Review of financial records revealed that the Fund incurred an expenditure of Kshs.20,522,690 on tuition fees, air tickets, medical bills, pocket money and Turkish resident permits (iqamats) for eleven (11) female students to study in Turkey. However, proof of contractual commitment between the beneficiaries of the scholarship and Mandera County Department of Education before consideration for the scholarship as required under Section 23(4) of Mandera County Education Bursary Act, 2014. In addition, payment of study fees to the Institution was not supported by fees structure or statement of account as required by section 23(5) of the Act.

In the circumstances, it was not confirmed how the County would benefit from the knowledge and skills to be gained from the training since no evidence of training bond was provided for audit review.

Management Response

The Turkish Scholarship program, initiated in 2019 by the Mandera County Government is intended to address gender disparities in education. Specifically, it sought to provide opportunities for top female students to pursue fields traditionally male-dominated, including Medicine, Engineering, Architecture, and related disciplines, through study opportunities in Turkey.

The County identified 16 girls who excelled in the 2018 Kenya Certificate of Secondary Education, and offered them full scholarships at Uskudar University in Turkey. However, despite this opportunity, logistical challenges hindered the processing of travel documents for 5 of the selected girls, prompting them to forgo the scholarship and pursue their education at alternative institutions.

To facilitate the educational journey of the remaining 11 girls, the County government forged an agreement with Uskudar University. Under this agreement, the County government assumed responsibility for covering tuition fees, accommodation expenses, and other necessary provisions for the students throughout their studies.

The program, aptly named the Girl Child Affirmative Action Program, embodies the County government's commitment to enhancing educational opportunities for young women in Mandera County. By supporting the girls in accessing higher education, the program aims to address societal challenges such as early marriages and promote the advancement of girls' education across the region.

The 11 girls are expected to complete their studies by July 2024, after which they are expected to return to Mandera County and contribute to their community. This program underscores the County government's commitment to empowering young women and fostering gender equality in education and professional fields within Mandera County.

The university sends proforma invoices to the County Government on annual basis to assist in the disbursement of fees by the Bursary Board.

Copies of students' result slips, admissions, travel documents, transcripts, fees structure/invoices, and other relevant supporting documents are available for review.

Committee Observations

The Committee observed that whereas the contractual commitment between the beneficiaries of the scholarship and Mandera County Department of Education, fees structure and statement of account were provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

3.0 Engagement of Casual Employees

Review of human resource records revealed that the Fund had employed three (3) casual workers on 5 September, 2018 and 5 September, 2019. The casual employees had thereafter served the Fund for more than one year contrary to Section 37 (1)(a)(b) of Employment Act, 2007 which provides for the conversion of casual employment to term contract after being engaged for more than one month. In addition, the employees were not enrolled with National Social Security Fund (NSSF) and National Hospital Insurance Fund (NHIF).

In the circumstances, Management was in breach of the law.

Management Response

It is true that the board engaged three casual workers. The officers were initially engaged for a period of six months, as mandated by law. Upon the completion of this period, they were granted an additional extension of six months.

The board encountered difficulty in converting their employment status to contractual terms, as stipulated by the Employment Act, due to its lack of authority in hiring employees. After actively liaising with the County Public Service Board to explore the possibility of hiring the workers on a permanent basis without success, the officers were disengaged.

Copies of causal workers' employment letters, letters to Chief Officer Education for hire of the casuals on contractual terms, termination notice, NHIF and NSSF registrations are available for audit review.

Committee Observations

The Committee observed that the Fund employed casual workers for a period of six months contrary to Section 37 (1)(a)(b) of Employment Act, 2007 which provides for the conversion of casual employment to term contract after being engaged for more than one month.

Committee Recommendations

The Committee recommends that the Accounting Officer ensures strict compliance with the provisions of Section 37 (1)(a)(b) of Employment Act, Cap. 226 with regards to conversion of casual employment to term contract, failure to which the provisions of section 87 of the Employment Act on penalties for offences shall apply.

CHAPTER NINETEEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MARSABIT COUNTY EDUCATION FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Marsabit County, Hon. Mohamud M. Ali appeared before the Committee on Tuesday, 20th February 2024, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Marsabit County Education Fund for the financial year 2020/2021. The Governor was accompanied by:

1. Mr.Adan Kamano - CECM Finance
2. Mr. Ambaro Ali - CECM Education
3. Mr. Boru Duba - CO. Finance
4. Mrs. Qabale Bulbul - CO- Education

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the Financial Statements of the Marsabit County Education Fund for the period under review on the following basis-

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2021 reflects approved expenditure budget of Kshs. 28,724,425 and actual expenditure of Kshs. 25,956,430 resulting to an under absorption of Kshs. 2,767,995 or 10% of the total budget. The under absorption of Kshs. 2,767,995 may have negatively impacted on the delivery of services to the citizens of Marsabit County. Further, the statement reflects Kshs. 25,000,000 and Kshs. 28,724,425 in respect to approved revenue and expenditure budgets, respectively resulting to a budget deficit of Kshs. 3,724,425 which is a contravention of Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that budget revenue and expenditure appropriations shall be balanced.

Management Response

The management is in agreement with the findings of the auditor and will put in place appropriate mechanism that will ensure maximum absorption of the available funds in the subsequent financial years.

The statement of comparison of budget and actuals amounts was not appropriately updated on the revenue side with the unspent balance from FY 2019-2020 of Ksh. 3,724,425 and thereby creating an impression of budget imbalance of an equivalent amount.

Committee Observations

The Committee observed that—

i. the Fund had an expenditure budget of Kshs. 28,724,425 and expended Kshs. 25,956,430 resulting to an under absorption of Kshs. 2,767,995 or 10% of the total budget.

ii. the typographic errors in the preparation of financial statements and failure to update the records appropriately created an impression that the Fund had an unbalanced budget.

Committee Recommendations

The Committee recommends that—

i. **the Fund management should ensure strict adherence to regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that budgeted revenue and expenditure appropriation shall be balanced, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**

ii. **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.**

CHAPTER TWENTY

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MIGORI COUNTY WARD DEVELOPMENT FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Migori County Executive, Hon. (Dr.) Ochillo Ayacko, appeared before the Committee on Tuesday, 5th December 2023 to respond (under oath) to audit queries raised in the Report of the Auditor-General on Financial Statements for Migori County Ward Development fund for the Financial Year ended 2020/2021. He was accompanied by –

1. Mr. Maurice Otunga - CECM-Finance
2. Mr. Achoora John - Chief Officer Finance.
3. Mr. Erick Jalango - County Attorney
4. Ms. Janet Apiyo - Director internal audit
5. Mr. Erastus Karani - Administrator Cwdf

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an Qualified Opinion on the financial statements of Migori County Ward Development Fund for the period under review on the following basis –

Bursary Disbursements

The statement of financial performance reflects an expenditure of Kshs.147,500 in respect of bursary disbursement. However, the names of the beneficiaries and acknowledgment letters were not provided for audit review.

In the circumstances, the validity and completeness of the expenditure Kshs.147,500 in respect to bursary disbursements could not be confirmed.

Management Response

The management has noted the Auditor's observation and provides the list of beneficiaries and acknowledgement letters for audit review.

Committee Observations

The Committee observed that whereas the names of the beneficiaries and acknowledgment letters were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

Other Matters

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given satisfactory explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

Management Response

The management has noted the auditor's observation and wish to state that the process of resolving the issues is ongoing and we are committed to resolved all the issues as raised.

Committee Observations

The Committee observed that the fund had unresolved prior year matters.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**
ii. **the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229(6) of the Constitution, based on the audit procedures performed by the Auditor-General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way-

1. Underfunding of the Ward Fund

During the year under review, the Fund received an amount of Kshs.303,000 from the County Government. This is contrary to Section 4 (2) (a) of the Migori County Wards Development Fund Act, 2014 that requires not less than (10%) ten percent of the annual budget of the County Government be transferred to the Ward Development Fund. The County had an approved annual allocation of Kshs.8,149,955,464, implying that the Fund ought to have received exchequer disbursements of Kshs.814,995,546, being 10% of total budget as prescribed by Law.

In the circumstances, the Fund may not be able to achieve its core mandate.

Management Response

The management noted the auditor observation and wish to state that the County budgeted for Kshs. 862,398,360 for bursaries and community development projects through Executive departments. The community projects were implemented and reported in the main Executive financial statement. However, the bursaries funds were not disbursed due to the Covid-19 protocols and instead the budget was reallocated towards ward development community projects.

Committee Observations

The Committee noted that the Fund received an amount of Kshs.303,000 from the County Government. This is contrary to Section 4 (2) (a) of the Migori County Wards Development Fund Act, 2014 that requires not less than (10%) ten percent of the annual budget of the County Government be transferred to the Ward Development Fund.

Committee Recommendations

The Committee recommends that Migori County Executive ensures that allocations to the Ward Development Fund not less than (10%) ten percent of the annual budget of the County Government in accordance Section 4 (2) (a) of the Migori County Wards Development Fund Act, 2014.

2. Administration Expenses

Note 2 to the financial statements reflects an expenditure of Kshs.93,000 in respect of Fund administration expenses. This accounted for 35% of the final total approved expenditure of Kshs.269,280, which exceeded the maximum limit of three percent as set out under Section 18(2) of Migori County Wards Development Fund Act, 2014.

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

Management Response

We concur with the Auditor's concerns and wish to state that the Fund anticipated to disburse bursaries in all the 40 wards based on the originally budgeted amount of Kshs. 862,398,360 which is meant for both bursaries and community projects.

The administration expenses were mainly towards logistical support at the ward level to facilitate a transparent bursary disbursement process. This expenditure was incurred prior to the budgetary reallocations which were not anticipated at the early stages of budget implementation. The management is committed to ensuring compliance with the Act and its regulations.

Committee Observations

The Committee noted that the fund administration expenses accounted for 35% of the final total approved expenditure of Kshs.269,280 which exceeded the maximum limit of three percent as set out under Section 18(2) of Migori County Wards Development Fund Act, 2014.

Committee Recommendations

The Committee recommends that the Accounting Officer to ensure strict compliance with regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015 with regards to the set limit on the Fund's administration costs, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

CHAPTER TWENTY-ONE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MOMBASA COUNTY ELIMU FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Mombasa County, Hon. Abdullswamad Nassir, appeared before the Committee on Monday 26th February, 2024 to respond (under oath) to audit queries raised in the Report of the Auditor-General on Financial Statement for Mombasa County Elimu Fund for the Financial Year 2020/2021. He was accompanied by-

1. Dr. Mwarali Kame - CECM Education
2. Mr. Evans Oanda - CECM -Finance
3. Dr. Roselyn Randu - Chief Officer-Education

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of Mombasa County Elimu Fund for the period under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229 (6) of the Constitution, based on the audit procedures performed by the Auditor General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way –

1. Non-Compliance with the Law on Administration Expenses

The statement of financial performance reflects Fund administration expenses budget of Kshs.16,544,440 which exceeded the set ceiling of Kshs.5,008,372 (3% of the approved budget of Kshs.166,945,730) by Kshs.11,536,068. This is contrary to Regulation 197(1) d of the Public Finance Management (County Governments) Regulations, 2015 which sets the administration costs of the Fund at a maximum of three (3%) percent of the approved budget of the Fund.

In the circumstances, Management was in breach of the law.

Management Response

The budget for fund administration expenses amounted to Kshs.16,544,440, encompassing various fund-related costs such as printing and issuing bursary cheques, as well as associated events.

However, the accounting officer has acknowledged the raised concerns and has taken steps to address them by implementing a strategy to pay fees directly to the schools. This approach will effectively reduce expenses and subsequently minimize the bursary administration expenses.

Committee Observations

The Committee observed that the fund's administration costs exceeded the set ceiling of Kshs.5,008,372 (3% of the approved budget of Kshs.166,945,730) by Kshs.11,536,068 contrary to Regulation 197(1) d of the Public Finance Management (County Governments) Regulations, 2015.

Committee Recommendations

The Committee recommends that the Accounting Officer to ensure strict compliance with regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015 with regards to the set limit on the Fund's administration costs, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

2. Late Submission of Budget Estimates

Review of Board Meeting Minutes revealed that Elimu Fund budget estimates for the year ended 30 June 2021 were approved by the Board on 22 June 2020, contrary to Section 17(1) of the Mombasa County Education Development Act, 2014 as amended in 2017 which requires the Board and the Board of Trustees to submit to the Executive Committee Member in charge of Education an annual estimate of its income and expenditure at least three months before the commencement of the financial year.

In the circumstances, Management was in breach of the law.

Management Response

The County Executive Committee Member- Finance has written to the Elimu Fund Manager to ensure compliance with regulations as regards to the budget process.

Committee Observations

The Committee observed that the Board of the fund approved the budget estimates for the financial year under review, after the commencement of the respective financial year contrary to Section 17(1) of the Mombasa County Education Development Act, 2014 as amended in 2017.

Committee Recommendations

The Committee recommends that the Board of Directors ensures strict compliance with the provisions of Section 17(1) of the Mombasa County Education Development Act, 2014 as amended in 2017 with regards to approval of budget estimates.

3. Failure to Prepare Interim Financial statements

The Management did not prepare quarterly financial statements for the Fund for the four (4) quarters of the financial year ended 30 June 2021 in violation of Section 168 (1) of the Public Finance Management Act, 2012 which requires the administrator of a county public fund established by an act of parliament, to prepare quarterly financial statements for the Fund in a form prescribed by the Accounting Standards Board.

In the circumstances, Management was in breach of the law.

Management Response

This has been complied with as required by the Public Finance Management Act, 2012.

Committee Observations

The Committee observed that the management failed to prepare financial statements for the four (4) quarters of the financial year under review in contravention of the provisions of Section 168 (1) of the Public Finance Management Act, Cap. 412A.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer ensures strict adherence to the provisions of Section 168 (1) of the Public Finance Management Act, Cap. 412A with regards to preparation of quarterly financial statements for the fund, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**
ii. **The Auditor-General to monitor the Fund's compliance with the provisions of section 168 (1) of the Public Finance Management Act, Cap. 412A and report on the same to the Senate within the subsequent audit cycle.**

4. Failure to Appoint Board Chairman

Records provided for audit review indicated that the term of the previous Board Chairman ended on 20 March, 2019 but a new Chairman had not been appointed as at 30 June, 2021. This is contrary to Section 5 (1) (a) of the Mombasa County Education Development Act, 2014 which requires the corporation to be managed by a Board comprising of a Chairperson appointed by the Governor by virtue of his or her knowledge and experience in matters relating to financial management, economics, education or business administration with minimum qualification of a degree and a minimum of ten (10) years' experience.

In the circumstances, Management was in breach of the law.

Management Response

The Chairman of the Board of Trustees for Elimu Fund was appointed and assumed his role on 16th January 2023.

Committee Observations

The Committee observed that at the time of audit, the fund operated without a Board Chairman in place, however, the Governor of Mombasa County has since appointed a Chairman for the Board therefore, the query was addressed.

Committee Recommendations

Noting the mitigation measures taken by the Governor, the Committee recommends that the query be marked as resolved.

CHPATER TWENTY-TWO

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NAKURU COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Nakuru County, Hon. Susan Kihika, EGH. appeared before the Committee on Tuesday, 12th March 2024, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Nakuru County Bursary Fund for the financial year 2020/2021. The Governor was accompanied by:

1.	Mr. Stephen Njogu	-	CECM Finance
2.	Mrs. Zipporah Wambui	-	CECM Education
3.	Mr. Wilson Mungai	-	Director Finance
4.	Mrs. Rosemary Kimani	-	CO Education

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the Financial Statements of the Nakuru County Bursary Fund for the period under review on the following basis-

1. Inaccuracies in the Financial Statements

The statement of financial performance reflects transfers from County Government balance of Kshs. 77,017,981 for the year ended 30th June, 2021 whereas Appendix 1 to the financial statements on the inter-entity transfers, shows an amount of Kshs. 76,458,838 resulting to a variance of Kshs. 559,143 that has not been explained. Further, the audited Nakuru County Executive financial statements for the year under review reflects the transfer from the County Executive to the Fund as Kshs. 78,000,931 resulting to an unexplained variance of Kshs. 982,950. In the circumstance, the accuracy, completeness and fair view of the financial statements could not be confirmed.

Management Response

The unexplained variance of Kshs 559,143 was transferred to the Nakuru County Bursary Fund account in July 2021. As per the treasury circular of extension of accounting period, all payments made during the extended period should be recognized as being receipts for the previous financial year. Hence the total receipt for FY 2020/21 is Kshs 77,017,981 as indicated in the main Nakuru County Government Financial Statement.

Committee Observations

The Committee observed that the amount transferred to the Nakuru County Bursary Fund was Kshs. 77,017,981 for the year under review and that the variance noted by the

auditors of Kshs. 559,143 was transferred to the bursary fund for July 2021. However, the clarification was provided after the audit period.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

2. Unexplained Variance on Transfers from County Government

The Statement of Financial Performance reflects transfers from the county government balance of Kshs 77,017,981 for the year ended 30 June 2021. However, the Fund bank statements reflect actual receipts balance of Kshs 76,458,838 resulting to a variance of Kshs. 559,143 that has not been explained or reconciled. In the circumstances, the accuracy and completeness of transfers from County Government balance of Kshs. 77,017,981 for the year ended 30 June, 2021 could not be confirmed.

Management Response

The unexplained variance of Kshs 559,143 was transferred to the Nakuru County Bursary Fund account in July 2021. As per the treasury circular of extension of accounting period, all payments made during the extended period should be recognized as being receipts for the previous financial year. Hence the total receipt for FY 2020/21 is Kshs 77,017,981 as indicated in the main Nakuru County Government Financial Statement.

Committee Observations

The Committee observed that the amount transferred to the Nakuru County Bursary Fund was Kshs. 77,017,981 for the year under review and that the variance noted by the auditors of Kshs. 559,143 was transferred to the bursary fund for July 2021. However, the clarification was provided after the audit period.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

3. Cash and Cash Equivalents

The statement of financial reflects cash and cash equivalents balance of Kshs. 13,412,889 as at 30 June, 2021. However, the bank reconciliation statement in support of the balance reflects payments in cashbook not in bank amounting to Kshs. 37,566,793, out of which cheques totaling to Kshs. 23,038,815 had not been cleared as 23 October 2021 due to insufficient funds. The statement also reflects receipts in cash book not in bank statement of Kshs 559,143 which was not supported by way of miscellaneous receipts. In addition, prior year stale cheques amounting to Kshs. 212,500 had not been reversed in the cash book. In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of 13,412,889 as at 30 June, 2021 could not be confirmed.

Management Response

Kshs. 559,143 is the amount released on extension after the closure of financial year and its expenditure had been recorded in cashbook on that financial year 2020/2021.

The payment in the Cashbook but not reflected in the Bank Statement of Kshs 37,566,793 inclusive of Kshs. 559,143 which was released on extension of financial year.

Kshs. 13,412,889 is a balance resulting for clearance of cheques in the bank amounting to Kshs 37,007,650 as at the end of financial year 2020/2021. These are cheques awaiting clearance by the bank. As stated by the Auditor only cheques totaling Kshs 23,038,815 had not been cleared as at the time of Audit i.e. 23rd October, 2021. The receipts in the cashbook not in the bank statement was as a result of delay in release of the money by the County Treasury.

Committee Observations

The Committee observed that—

i. The amount of Kshs. 23,038,815 comprising of uncleared cheques was due to insufficient funds in the accounts due to delay in release of the money by the County Treasury.
ii. Kshs 37,566,793 is the amount of money that was released on extension after the closure of the financial year under review.

Committee Recommendations

The Committee recommends that—

i. **the County Treasury should ensure timely release of funds to prevent delays in disbursement of bursary funds to the needy students; and**

ii. **the management should ensure proper record keeping and ensure reconciliations are done on time to reflect the true financial position of the funds.**

4. Scholarship and other Educational Benefits

The statement of financial performance reflects scholarship and other educational benefits expenditure of Kshs. 118,383,826 for the year ended 30 June, 2021. However, included in the expenditure is an amount of Kshs. 16,912,767 in respect of reversed beneficiary payments (cancelled cheques) in the cash book that have not been supported by way of student list or vetting reports. Further, the balance includes Kshs. 708,288 paid in respect of students in various learning institutions that has not been supported by way of admission numbers. In the circumstances, the propriety of scholarship and other educational benefits expenditure totaling to Kshs. 17,621.055 could not be ascertained.

Management Response

The cancelled cheques amounting to Kshs 16,912,767 and reversed in the cashbook was done after the Government suspended learning for unspecified period of time. The committee has since resumed its duties and working on the replacement modalities.

Committee Observations

The Committee observed that—

i. Bursaries amounting to Kshs. 16,912,767 were cancelled and reversed in the cashbook after learning was suspended for a period of time. The bursary Committee is working on fixing the irregularity.
ii. Kshs. 708,288 was paid for students in various learning institutions but had not been supported with admission numbers of the students.

Committee Recommendations

The Committee recommends that—

i. **the Auditor-General should follow up on the re-disbursement of Kshs. 16,912,767 to the students and report to the Committee within 60 days after the adoption of this report; and**
ii. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

OTHER MATTERS

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final income budget balance of Kshs. 122,442,163 against actual receipts of Kshs. 76,458,838 for the year ended 30 June, 2021 on comparable basis resulting to an underfunding of Kshs. 45,983,325. In the circumstances, the underfunding affected the planned activities and may have impacted negatively on the service delivery to the residents of Nakuru County.

Management Response

Kshs. 45,983,325 were underfunded because of COVID-19 pandemic.

Committee Observations

The Committee observed that the management had a budget of Kshs. 122,442,163 but received Kshs. 76,458,838 resulting in underfunding of Kshs. 45,983,325.

Committee Recommendations

The Committee recommends that the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk, Risk Management and Governance. However, 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 reporting template and The National Treasury' Circular Ref: No. AG.4/16/3 Vol. (9) dated 24 June, 2020.

Management Response

The management attached the prior year audit matters.

Committee Observations

The Committee observed that management had not resolved the issues raised during the previous year and had not given satisfactory explanations.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**

ii. **the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report.**

REPORT OF EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Pursuant to section 7(1)(a) of the Public Audit Act, based on the audit procedures performed by the Auditor-General, the internal control, risk management and governance were not effective—

1. Lack of a Risk Management Policy

The Fund does not have a risk management policy in place contrary to the provisions of Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that; (a) the County Government entity develops risk management strategies, which includes fraud prevention mechanism and (b) the County Government entity develops a system of risk management and internal control that builds robust business operations. In the absence of a risk management policy, it has not been possible to confirm whether the internal controls built within the financial and operational systems were functioning as intended during the year under review.

Management Response

Plans are underway through the county government of Nakuru that there be a policy on risk management and fraud policy which shall play part in follow-ups on both fraud and risk management of the bursary fund. It should be noted that the county government is coming up a risk management policy whereby the policy will be cascaded to all county funds including Bursary funds.

Committee Observations

The Committee observed that the county government has plans to come up with a risk management policy that will be cascaded to all the county funds, including the bursary fund.

Committee Recommendations

The Committee recommends that the CECM Finance ensures that the Fund Committee puts in place all internal control systems such as Risk Management Policy as provided under regulation 158(1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of all the funds. Further, the CECM Finance to submit evidence of the same to the Auditor-General for verification. Auditor-General to provide a status update on the same in the subsequent audit cycle.

CHAPTER TWENTY-THREE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NANDI COUNTY EDUCATION FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Nandi County, Hon. Stephen Kipyego Sang, EGH, appeared before the Committee on Thursday, 7th December, 2023 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Nandi County Education Fund for the financial year 2020/2021. The Governor was accompanied by the following officers:

1. Mr. Hillary Serem - CECM-Finance and Economic Planning
2. Mrs. Scolastica Tomei - CECM-Education
3. Mr. Joseph Cheruiyot - Chief Officer-Education

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Nandi County Education Fund for the financial year based on the following basis-

1.0 Misstatement of Revenue

The statement of financial performance reflects receipts of Kshs.30,000,000 being transfers from County Government. However, Note 2 to the financial statements discloses actual transfers of Kshs.24,000,000 resulting to an overstatement of Kshs.6,000,000 on total actual revenue.

In the circumstances, the accuracy and completeness of transfers from the County Government amounting to Kshs.30,000,000 could not be confirmed.

Management response

There was an erroneous misstatement of revenue. The anomaly has since been corrected through a restatement of the subsequent audited financial statements for F/Y 2021/2022 attached.

Committee Observations

The Committee observed that the overstatement of revenue of Kshs.6,000,000 was an error which was corrected within the financial statements of the subsequent year.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who**

fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

2.0 Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.30,000,000 and Kshs.24,000,000 respectively resulting to an under-funding of Kshs.6,000,000 or 20% of the budget. Similarly, the Fund expended Kshs.22,414,117 against an approved budget of Kshs.30,000,000 resulting to an under-expenditure of Kshs.7,585,883 or 25% of the budget.

Management Response

The Under expenditure was occasioned by the fact that most of the learning institutions were closed down due to Covid-19 and there was no clear indication of re-opening of the school within the financial year under review.

Committee Observations

The Committee observed that—

i. The fund had an under-funding of Kshs.6,000,000 or 20% of its budget during the financial year under review.
ii. The fund failed to absorb Kshs.7,585,883 or 25% of its budget during the financial year under review due to the closure of learning institutions caused by the Covid-19 pandemic.

Committee Recommendations

The Committee recommends that the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

3.0 Unresolved Prior Year Audit Matters

Unresolved Prior Year Audit Matters In the audit report of the previous year, a number of paragraphs were raised under the Report on Financial Statements. However, Management has not resolved the issues as provided by the Public Sector Accounting Standards Board templates.

Management Response

The process of resolving the prior year audit matters is a collaborative exercise among all the relevant stakeholders including County Executive, the County Assembly and Senate. The process is ongoing and we commit to fast track the resolution of these issues.

Committee Observations

The Committee observed that the query remains unresolved as the management of the Fund did not take action in resolving the queries raised in the report of the Auditor-General for the financial year 2018/2019.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**

ii. **the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report.**

CHAPTER TWENTY-FOUR

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NAROK COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Narok County, Hon. Patrick Keturet Ole Ntutu, appeared before the Committee on Monday, 11th March, 2024 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Narok County Bursary Fund for the financial year 2020/2021. The Governor was accompanied by the following officers:

1. Mr. David Montent - CECM Finance
2. Mr. Daniel Meshuko - CEO Bursary
3. Mr. Mayiani Ole Taya - County Secretary

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the financial statements of the Narok County Bursary Fund for the financial year under review on the following basis-

1. Inaccuracies in the Financial Statements

A review of the financial statements revealed the following anomalies:

i. The statement of financial position also reflects accumulated surplus balance of Kshs.162,106 which differs with the computed balance of Kshs.15,293,861, resulting to an unexplained variance of Kshs.14,915,905.
ii. The statement of changes in net assets does not reflect surplus/(deficit) of Kshs.15,078,011 and Kshs.162,106 for the year under review and the previous year respectively.
iii. Transfers from the County Government amount of Kshs.151,500,000 is reflected in both the statement of financial performance and the statement of changes in net assets, resulting in double counting.

In the circumstances, the accuracy of the above financial statements could not be confirmed.

Management Response

After being advised on the inaccuracies, we did the necessary amendments to Fund financial statement which was later presented to the auditors for consideration.

Committee Observations

The Committee observed that the financial statements of the company contained various inaccuracies. The management submitted amended financial statements which addressed the aforementioned errors.

Committee Recommendations

The Committee recommends that-

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

2.0 Fund Administration Expenses

The statement of financial performance reflects fund administration expenses balance of Kshs. 6,356,344. The following unsatisfactory matters were noted:

2.1 Unsupported Hospitality, Supplies and Other Expenses

The balance includes hospitality, supplies and other expenses amount of Kshs.3,334,200. This latter amount includes Board expenses of Kshs.2,025,200 and staff lunches of Kshs.1,309,000. However, the balances were not supported by invitation letter, attendance list and minutes of the Committee meetings. Further, staff

lunches of Kshs.1,309,000 paid to members of staff for processing bursaries, were not supported by the necessary approvals.
In the circumstances, the propriety and accuracy of the expenditure of Kshs.3,334,200 could not be ascertained.

Management Response
The copies of invitation letters and minutes of committee meetings have been provided for your review.

Committee Observations

The Committee observed that whereas the invitation letter and minutes of committee meetings in support of Board expenses and staff lunches amounting to Kshs.2,025,200 and Kshs.1,309,000 respectively, were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that-

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**
ii. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

2.2 Avoidable Bank Charges
Further, included in the balance is an amount of Kshs.1,130,143, relating to bank charges, which is relatively high due to the issuance of banker's cheques instead of the normal cheques. No verifiable explanation was provided for not issuing normal bank cheques.
In the circumstances, the propriety, and accuracy of bank charges of Kshs.1,130,143 could not be ascertained.

Management Response

The schools were not accepting counter cheques due to the school policies on payment of fees.

We later negotiated with them and agreed on depositing the cheques and ensuring that they clear first before schools would issue receipts. This has now minimized bank charges.

Committee Observations

The Committee observed that the Fund management and the schools reached an agreement on a more cost-effective payment method for school fees, which reduced bank charges thus addressing the query.

Committee Recommendations

Noting the mitigation measures taken by the management, the Committee recommends that the query be marked as resolved.

2.3 Unsupported Expenditure on Fuel, Oil and Repairs

Also, the balance includes an expenditure of Kshs.240,000 incurred on motor vehicle fuel and repairs, However, the expenditure was not supported since the Fund did not own any vehicles.

In the circumstances, the propriety of Kshs.240,000 expenditure could not be confirmed.

Management response

The Fund was allocated an official car registration number KBY 059C a Suzuki grand vitara (white) which we had to maintain and fuel for official operations. The vehicle is however registered under the Narok County Government. We have availed the expenditure payment vouchers.

Committee Observations

The Committee observed that the Accounting Officer failed to provide an allocation letter to verify that the vehicle, for which the Fund spent Kshs. 240,000 on repairs and fuel, was officially assigned to the Fund.

Committee Recommendations

The Committee recommends that the Accounting Officer should surcharge the officer responsible of the expenditure of Kshs.240,000 and ensure that the amount

is recovered and returned to the fund within sixty (60) days from the adoption of this report.

3. Unsupported Bursary Awards

The statement of financial performance reflects bursary awards balance Kshs.130,065,645 which was not supported by a schedule indicating bursary beneficiaries, minutes of the Bursaries Management Board and Ward Bursaries Committee's minutes. Further, the criteria for award of bursaries, declarations and or endorsements from the head teachers or principals, the research conducted by the Committee and data on the eligibility of the students were not provided for audit verification. In addition, the balance has no explanatory note.

In the circumstances, the propriety, accuracy and completeness of the reported bursary awards amount of Kshs.130,065,645 could not be confirmed.

Management response

The minutes of the board of management and ward bursary committees were later presented to the auditor for review. The criteria for award of bursary is based on the Narok county bursary regulations and apply uniformly across the wards.

However, on the issue of recommendation from school principals, it a matter that will be considered for future amendment of the regulations.

Committee Observations

The Committee observed that-

i. The management failed to submit a schedule indicating bursary beneficiaries, minutes of the Bursaries Management Board and Ward Bursaries Committee's minutes to support a bursary awards balance of Kshs.130,065,645 for audit verification during the audit period. All documents except the Ward Bursaries Committee's minutes and application forms were later provided for verification.
ii. The management clarified that the criteria for award of bursary was based on the Narok county bursary regulations which apply uniformly across the wards thus the matter was resolved.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

4. Unsupported Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 8 to the financial statements reflects cash and cash equivalents balance of Ksh.15,260,117 relating to bank balances. However, the cash book and bank reconciliation statement for the bank account were not provided for audit verification.

In the circumstances, the accuracy, completeness and existence of the reported cash and cash equivalents balance of Kshs.15,260,117 could not be confirmed.

Management response

The Cashbooks and bank reconciliations had not been completed during the audit since their finalization was underway. This was because issuance of bursaries for the year was ongoing at the end of the year.

They were later prepared and presented to the auditor for review.

Committee Observations

The Committee observed that whereas the cash book to support the cash and cash equivalents balance of Ksh.15,260,117 was provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

Other Matter

Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2021. Management has not provided reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

Management response

Matters raised are addressed in the subsequent years for purposes of improvement.

Committee Observations

The Committee observed that the query remains unresolved as the management of the fund did not take action in resolving the queries raised in the report of the Auditor-General for the financial year 2019/2020.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**

ii. **the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229 (6) of the Constitution, based on the audit procedures performed by the Auditor General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way –

Lack of Approved Expenditure Budget

The statement of comparison of budget and actual amounts reflects budgeted and actual on comparable basis expenditure amounts of Kshs.210,094,117 and Kshs.136,421,989 respectively. However, the expenditure budget amount was not supported by the approved expenditure budget for the Fund. This was contrary to Section 149(1)(a) of the Public Finance Management Act, 2012 which requires the Accounting Officer of a County Government entity to ensure that resources of the entity are used in a way that is lawful and authorized.

In the circumstances, the Management was in breach of the law.

Management response

The Fund management prepared the expenditure budget which was in accordance with the allocations made to the wards and a part of which was for administration of the fund.

Committee Observations

The Committee observed that the management failed to provide minutes of the meeting for approval of the expenditure budget for the fund for audit verification.

Committee Recommendations

The Committee recommends that-

i. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle;**
ii. **the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standard Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares their financial statements under the accrual basis of accounting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
iii. **the Accounting Officer to ensure strict compliance with the provisions of section 149(1)(a) of the Public Finance Management Act, 2012 with regards to ensuring that resources of the entity are used in a way that is lawful and authorized, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.**

CHAPTER TWENTY-FIVE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NYAMIRA COUNTY EDUCATION BURSARY FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Nyamira County, Hon. Amos Nyaribo, appeared before the Committee on Thursday, 4th April 2024 to respond (under oath) to audit queries raised in the Report of the Auditor-General on Financial Statements for Nyamira County Education Bursary Fund fund for the Financial Year ended 2020/2021. He was accompanied by –

1. CPA Emilly Onganga - CECM Education
2. Mr. Robert Kombo - Chief of Staff
3. Mr. Erastus Orina - County Attorney
4. Mrs. Purity Nyamboga - Head of Accounting

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of Nyamira County Education Bursary Fund for the period under review on the following basis –

1. Inaccuracies in Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.14,750,381 as disclosed in Note 5 to the financial statements. However, the bank reconciliation statement reflects a cash book balance of Kshs.14,710,375 leading to an unexplained variance of Kshs.40,006.

Further the bank reconciliation statement as at 30 June, 2021 also reflects payments in cash book not yet recorded in the bank statement of Kshs.423,000. However, this reconciling figure could not be traced in the cash book.

In addition, review of bank statement revealed that cheques amounting to Kshs.2,565,000 had been cancelled but had not been reversed in the cash book. It was also observed that paid cheques amounting to Kshs.3,170,960 were credited in the bank statements but were not reversed in the cash book.

Consequently, the accuracy and completeness of the cash and cash equivalent balance of Kshs.14,750,381 as at 30 June, 2021 could not be confirmed.

Management Response

Management stated that;

i) The variance of Kshs 40,006 was bank charges which were not reflected in the bank reconciliation statement. This has been amended.

ii) Kshs 423,000 were unpresented cheques which had not been captured in the bank reconciliation statement.

iii) Khs 3,170,960 relate to a number of non-incremental contra entry transactions in the bank statement in the month of March. These entries were never captured in the cash book.

Committee Observations

The Committee observed that

i. the cash balance in the bank reconciliation statement reflected an amount of Ksh.14,710,375 while the cash book balance reflected an amount of Kshs.14,710,375 leading to an unexplained variance of Ksh40,006

ii. The bank reconciliation statement had payments in cash book that were not in the yet recorded in the bank statement.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

2. Understated Fund Administration Expenses

The statement of financial performance for the year ended 30 June, 2021 reflects expenditure of Kshs.1,175,640 in respect of Fund administration expenses. However, the payment vouchers provided for audit review amounted to Kshs.1,510,640, resulting in an understatement of Kshs.335,000.

In the circumstances, Fund administration expenses of Kshs.1,175,640 is understated.

Management Response

Management stated that the payment vouchers provided for audit review amounted to Kshs. 1,510,640 included expenditure from the departmental main budget of Kshs 335,000 which was erroneously given to auditors as a fund expense whereas it should have been an expense from the main budget.

Committee Observations

The Committee observed that the payment vouchers provided for audit review amounted to Kshs.1,510,640, which resulted to an understatement of Kshs.335,000.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

3.Unsupported General Expenses

The statement of financial performance reflects general expenses amount of Kshs.925,725 out of which expenditure amounting to Kshs.803,000 was not supported with payment vouchers and necessary procurement documents.

In the circumstances, the accuracy and completeness of the general expenses of Kshs.925,725 for the year ended 30 June, 2021 could not be confirmed.

Management Response

Management stated that the expenditure of Kshs 803,000 in respect to general expense was not procurement in nature. Further, the payment vouchers have since been provided for audit review.

Committee Observations

The Committee observed that whereas the payment vouchers and necessary procurement documents were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

4. Unsupported Bursary Disbursements

The statement of financial performance reflects an expenditure of Kshs.106,779,000 in respect of students' bursary. This was at variance with the supporting schedules amount of Kshs.111,561,000 leading to an unreconciled and unexplained difference of Kshs.4,782,000.

Further, the payment for the bursaries were made to the various wards and not to the specific institutions where the beneficiaries were undertaking their studies. In addition, particulars and appointment letters of each ward appraisal committee member, the fund's annual work plan, advertisement for application notice for bursary, register of bursary applications, bursary applications forms, minutes of ward appraisal committees and schedules of recommended bursary beneficiaries from each ward were not provided for audit review.

In the circumstances, the accuracy, completeness and validity of the expenditure of Kshs.106,779,000 incurred on student bursary for the year ended 30 June, 2021 could not be ascertained.

Management Response

Management stated that the variance of supportive schedule amounting to Kshs 4,782,000 were erroneously attached payment vouchers meant for the departmental main budget expense. This has been provided for audit review.

Bursaries application forms were distributed through ward administrators and sub county executive staff thus did not need prior appointment, Upon filing bursary application forms, they were forwarded to County Headquarters (Department of Education) for verification by bursray support fund committee

Committee Observations

The Committee noted that –

i. there was a variance with the supporting schedules amount of Kshs.111,561,000 leading to an unexplained difference of Kshs.4,782,000.
ii. fund's annual work plan, advertisement for application notice for bursary, register of bursary applications, bursary applications forms, minutes of ward appraisal committees and schedules of recommended bursary beneficiaries from each ward were not provided for audit review.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

vi. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

5. Incorrect Presentation of Total Net Assets and Liabilities

The statement of financial position reflects Nil liabilities and net assets of Kshs.14,850,381. However, total net assets and liabilities reflects an amount of Kshs.29,700,762 instead of Kshs.14,850,381.

In the circumstances, the total net assets and liabilities balance is not correctly stated.

Management Response

Management stated that there was an error in the total assets and liabilities which indicated a total of Ksh.29,700,762. Instead of Ksh 14, 850,381 . However, the anomaly was corrected in the subsequent financial year 2021/2022.

Committee Observations

The Committee noted that the total net assets and liabilities reflects an amount of Kshs.29,700,762 instead of Kshs.14,850,381.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure**

to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229(6) of the Constitution, based on the audit procedures performed by the Auditor-General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way-

Administrator of the Fund

Review of the financial statements for the year ended 30 June, 2021 revealed that the substantive Fund Administrator was not the Chief Officer responsible for matters relating to Education as provided under Regulation 14(1) of the Nyamira County Education Bursary Regulations, 2017.

In the circumstances, Management was in breach of the law.

Management Responses

Management stated that fund administrator was not the chief officer as provided under regulation 14(1) of the Nyamira county education bursary regulations, 2017. However, the management has since amended its regulations and appointment has been done in line with sections 116 of the PFM Act.

Committee Observations

The Committee noted that the substantive Fund Administrator was not the Chief Officer responsible for matters relating to Education as provided under Regulation 14(1) of the Nyamira County Education Bursary Regulations, 2017.

Committee Recommendations

The Committee recommends that—

i. **the Fund strictly adheres to Regulation 14(1) of the Nyamira County Education Bursary Regulations, 2017;**

ii. **The Auditor General to keep this matter in view in the subsequent audit cycle.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Pursuant to section 7(1) of the Public Audit Act, based on procedures performed by the Auditor General, the following matter formed the basis for conclusion that internal controls, risk management and overall governance were not effective –

Lack of Segregation of Duties

As previously reported, review of the internal controls of the Nyamira County Educational Bursary Fund revealed that there was no segregation of duties. It was observed that one officer would initiate a transaction, approve it, authorize withdrawal of the cash from the bank, receive the cash, incur the expenditure and later surrender, and approve the expenditure.

In the circumstances, the Fund lacked an effective internal control system for recording, controlling and accounting for its cash.

Management Response

The Management stated that the bursary fund was manged by the fund administrator, fund accountant, chief officer finance and a chairman to the committee appointed by the Governor, committee appointed by The County Executive Committee Memer Education which includes the County Executive Committee Member Finance as per The Nyamira County Education Support Act 2016 section 3 and 4(1) and a signatories to this account are the fund administrator , chief officer finance and a chairman to the committee , internal controls have been enhanced by introduction of a fund accountant as the agent.

Committee Observations

The Committee noted that there was no segregation of duties as one officer would initiate a transaction, approve it, authorize withdrawal of the cash from the bank, receive the cash, incur the expenditure and later surrender, and approve the expenditure.

Committee Recommendations

The Committee recommends that

i. **The Fund implements an effective internal control system for recording, controlling and accounting for its cash and submit a status update 60 days from the adoption of this report; and**
ii. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to**

the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

CHAPTER TWENTY-SIX

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NYANDARUA COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Nyandarua County Executive, Hon. (Dr.) Moses Kiarie Badilisha, appeared before the Committee on Thursday, 2nd May 2024 to respond (under oath) to audit queries raised in the Report of the Auditor-General on Financial Statements for Nyandarua County Bursary fund for the Financial Year ended 2020/2021. He was accompanied by –

1. Mr. Frank Muchina - County Secretary
2. Mrs. Mary Kamande - CECM-Finance and ICT
3. Mr. Joseph Wahome - Ag. Chief Officer Finance
4. Mr. Fredrick Irungu - Head of Financial Reporting Unit
5. Dr. Pachomius Wamburu -Chief Officer Education

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a Qualified Opinion on the financial statements of Nyandarua County Bursary Fund for the period under review on the following basis –

1. Non-Maintenance of Manual or Electronic Accounting Records

The Fund did not maintain ledger records for assets, liabilities, receipts and v expenditures in manual or electronic form. The Fund only maintained a cash book in excel workbook format. This was contrary to Section 102(1) of the Public Finance Management (County Governments) Regulations, 2015 that requires financial records to be maintained in manual or electronic form.

In the circumstances, it was not possible to confirm how the financial statements were prepared.

Management Response

The management notes the audit observations and proper books of accounts have been maintained for the subsequent financial years. This was confirmed by the auditors opinion of the Bursary financial statements for the financial year 2021/2022 which was unqualified.

Committee Observations

The Committee noted that did not maintain ledger records for assets, liabilities, receipts and expenditures in manual or electronic form contrary to Section 102(1) of the Public Finance Management (County Governments) Regulations, 2015.

Committee Recommendations

The Committee recommends that the Accounting Officer ensures that the Fund strictly adheres to Regulation 102(1) of the Public Finance Management (County Governments) Regulations, 2015 by maintaining ledger records for assets, liabilities, receipts and expenditures failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

2. Inaccuracies in Transfer from County Government

The statement of financial performance reflects transfers from the Count Government amount of Kshs.126,000,000 which differs with an amount of Kshs.121,000,000 shown in the supporting schedule resulting in an unreconciled or unexplained variance of Kshs.5,000,000.

Consequently, the accuracy and completeness of the transfers from County Government balance of Kshs.126,000,000 for the year ended 30 June, 2021 could not be confirmed.

Management Response

The County Bursary fund financial statements are prepared using the IPSAS accrual accounting method. Where expected/budgeted receipts not received are treated as receivables. Ksh 5,000,000 was not transferred and was therefore adjusted in the 2021/2022 financial statements as a bad debt.

Committee Observations

The Committee observed that there was a variance of Kshs. 5,000,000 between The statement of financial performance and the supporting schedule which reflected amounts of Kshs.126,000,000 and Kshs.121,000,000 respectively. However, the management stated that the Kshs.5,000,000 was adjusted in the 2021/2022 financial statements as a bad debt.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who**

fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

3. Unsupported General Expenses

The statement of financial performance reflects general expenses balance of Kshs.4,714,200. Included in the balance is Kshs.4,054,800 incurred on allowances and per diems to staff and committee members that were not supported by a schedule indicating the names of beneficiaries, their personal numbers, rates of allowances, number of days, activities undertaken, and total amount paid.

In the circumstances, the validity of the expenditure of Kshs.4,054,800 and the accuracy and completeness of general expenses balance of Kshs.4,714,200 for the year ended 30 June, 2021 could not be confirmed.

Management Response

Management submitted schedules in support of paid amount of Ksh 4,054,800.

Committee Observations

The Committee observed that whereas the schedule indicating the names of beneficiaries, their personal numbers, rates of allowances, number of days, activities undertaken, and total amount paid supporting the balance of Kshs.4,714,200, were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

4. Unsupported Current Portion of Long-Term Receivables from Exchange Transactions

The statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.5,000,000. However, the balance was not supported by a detailed schedule showing names of debtors, services rendered or goods supplied and amounts outstanding.

In the circumstances, the accuracy, completeness and fair statement of current portion of long-term receivables from exchange transactions balance of Kshs.5,000,000 as at 30 June, 2021 could not be confirmed.

Management Response

The funds relates to transfers from County government amounting to Ksh 5,000,000 that were budgeted in Financial Year 2020/2021 but not received by close of the financial year.

Committee Observations

The Committee observed that whereas the detailed schedule showing names of debtors, services rendered or goods supplied and amounts outstanding were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the

Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

5. Inaccuracies in the Statement of Changes in Net Assets

The statement of financial position reflects reserves balance of Kshs.56,592,211. However, the statement of changes in net assets does not reflect reserves as a source of funds.

In the circumstances, the accuracy and completeness of the statement of changes in net assets as at 30 June, 2021 could not be confirmed.

Management Response

Management notes the observation and a properly prepared statement of changes in net assets was attached.

Committee Observations

The Committee observed that the statement of financial position submitted at time of audit did not reflect reserves as a source of funds. However, the management submitted amended financial statements which addressed the aforementioned error.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

Other Matter

Unresolved Prior Year Matters

The progress on follow up of auditor recommendations section of the financial statements reflects that some of the issues raised in the previous year's audit report remained unresolved as at 30 June, 2021. No satisfactory explanations were provided for not resolving the issues.

Management Response

The management has endeavoured to respond to the queries as raised from the Audited reports of the financial statements. However, these are still subject to clearance by the Nyandarua County assembly and the Senate.

Committee Observations

The Committee observed that the fund had unresolved prior year matters.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**

ii. **the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Pursuant to section 7(1) of the Public Audit Act, based on procedures performed by the Auditor General, the following matter formed the basis for conclusion that internal controls, risk management and overall governance were not effective –

Lack of a Risk Management and Fire Policy

The Fund Management did not have a Risk Management and Fire Policy. This is contrary to Section 158(1)(a) and (b) of the Public Finance Management Act (County Governments) Regulation, 2015 which requires the Accounting Officer to develop risk management strategies which include fraud prevention mechanism and internal control that builds robust business operations.

In the absence of a Risk Management and Fire Policy, it has not been possible to confirm whether the internal controls built within the financial and operational systems were functioning as intended during the year under review.

Management Response

Management noted the audit observation, a risk and compliance policy has been developed by the county treasury and it helps cover all the risks related to bursary operations.

Committee Observations

The Committee noted that this is a recurring issue from the previous financial year as the Fund had not developed a risk management and fire policy.

Committee Recommendations

The Committee recommends that the County Executive Committee Member (CECM) for Finance ensures that the Fund Committee puts in place a Risk Management Policy as provided under regulation 158(1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of all the funds within 90 days of the adoption of this report. Further, the County Executive Committee Member (CECM) Finance to submit evidence of the same to the Auditor-General for verification. Auditor-General to provide a status update on the same in the subsequent audit cycle.

CHAPTER TWENTY-SEVEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NYERI COUNTY ELIMU FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Nyeri County Executive, Hon. Mutahi Kahiga, appeared before the Committee on Thursday, 23th May, 2024 to respond (under oath) to audit queries raised in the Report of the Auditor-General on Financial Statements for Nyeri County Elimu fund for the Financial Year ended 2020/2021. He was accompanied by –

1. Mr. Robert Mwangi - CECM-Finance
2. Mrs. Margaret Macharia - CECM-Education Training and Devolution
3. Mrs. Kendi Tarichia - CECM-Trade, Tourism Culture and Cooperatives
4. Mr. Kimani Rucuiya - County Attorney

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the financial statements of Nyeri County Elimu Fund for the financial year 2020/2021 on the following basis –

1. lnaccuracies in the Financial Statements

The statement of financial performance reflects total revenue of Kshs.94,348,938 and total expense of Kshs.93,963,827. However, the statement of comparison of budget and actual amounts reflects Kshs.100,000,000 and Kshs.98,963,827 as the actuals for the total revenue and total expenses resulting to an unexplained variance of Kshs.5,651,062 and Kshs.5,000,000 for total revenues and total expenditures respectively.

ln the circumstances, the accuracy and completeness of the financial statements balances could not be confirmed.

Management Response

The management adjusted the statement of comparison of budget and actual amounts as follows:

11.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2021.

	Original budget 2021	Adjustments 2021	Final budget 2021	Actual on comparable basis 2021	utilisation 2021
Revenue	KShs	KShs	KShs	KShs	

Cheques Reversal	0	0	0	92,773,758.00	0
Transfers from County Govt.	100,000,000.00	0	100,000,000.00	0	0%
Interest income	0	0	0	1,374,930.40	
Other income-refund of imprest	0	0	0	200,000.00	
Total income	100,000,000.00	0	100,000,000.00	94,348,938.30	100%
Expenses					
Bursaries Issued	92,000,000.00	0	92,000,000.00	88,568,000.00	96.27%
Fund administration expenses	3,000,000.00	0	3,000,000.00	5,395,827.00	179.86%
Endowment Fund	5,000,000.00	0	5,000,000.00	0	0%
Total expenditure	100,000,000.00		100,000,000.00	93,963,827.00	98.96%
Surplus for the period	0		0	385,111.30	

Committee Observations

The Committee observed that the revised statement of comparison of budget and actual amounts were later submitted verified by Auditor-General.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who**

fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

2. Unconfirmed Bursaries

The statement of financial performance and as disclosed in Note 6 of the financial statements reflects Kshs.88,568,000 in respect of bursaries issued. However, bursaries payments totalling to Kshs.75,530,604 was not supported with acknowledgement letters from beneficiary institutions.

ln the circumstances, the accuracy of a balance of bursaries issued amounting to Kshs.75,530,604 could not be confirmed.

Management Response

The management noted with great concern the slow pace of returning the acknowledgement receipts by the beneficiaries. The management came up with a strategy of solving this problem by using 8 officers (Principal Education Officers) who

have been tasked to take all bursary cheques to the schools in the 8 Sub-counties within Nyeri County.

Committee Observations

The Committee observed that-

i. bursaries payments totalling to Kshs.75,530,604 was not supported with acknowledgement letters from beneficiary institutions.
ii. The Management later submitted the acknowledgement letters from beneficiary institution.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

Other Matter

Unresolved Prior Year Issues

The audit report for the year, several issues were raised. However, Management has not resolved the issues or given satisfactory explanations for failure to adhere to the

provisions of the Public SectorAccounting Standards Board's templates and The National Treasury Circular Ref. AG.411612Vol.3(72) dated 30 June, 2021.

Management Response

No response was given

Committee Observations

The Committee observed that the fund had unresolved prior year matters.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of**

section 199 of the Public Finance Management Act on penalties for offences may apply; and

ii. **the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229(6) of the Constitution, based on the audit procedures performed by the Auditor-General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way—

1. Non-Separation of Endowment Fund Account

The statements of financial position provided for audit reflects a balance of Kshs.27,600,974 in respect of Endowment Fund. The amount was the accumulated fund over a period of five years from 201512016 equivalent to 5% of the monies allocated for bursary fund as stipulated in Section 5(5) of the Nyeri County Elimu Fund Act, 2015. The Act requires the monies to be set aside as contribution to the endowment Fund Account.

However, the Fund Management had not opened a separate bank account for the Endowment Fund. Consequently, Management was in breach of the law.

Management Response

The fund has already separated Endowment fund account from operations account.

Committee Observations

The Committee observed that the fund has established an Endowment fund account from operations account. The details of the new account were verified by the Auditor-General.

Committee Recommendations

Noting the mitigating measures taken by the County fund, the Committee recommends that the matter be marked as resolved.

2. Administrative Costs Beyond Allowable Limit

The statement of financial performance and as disclosed in Note 7 to the financial statements reflects administrative expenses Kshs.5,395,827. However, Management did not observe the set budget limit stipulated in Nyeri County Elimu Fund Act,2015

which requires the expected expenditure of the Fund to be 3% translating to an amount of Kshs.3,000,000 of the budget. The incurred administrative costs exceeded allowable limit by an amount of Kshs.2,395,827 or 80%.

In the circumstance, Management was in breach of the law.

Management Response

Due to COVID-19 pandemic, the cheques were taken to ward level since there was restriction of movement by Ministry of Health to minimize spread of the disease. This increased the operation cost.

Committee Observations

The Committee observed that-

i. Management did not observe the set budget limit stipulated in Nyeri County Elimu Fund Act,2015 which requires the expected expenditure of the Fund to be 3% translating to an amount of Kshs.3,000,000 of the budget.
ii. The incurred administrative costs exceeded allowable limit by an amount of Kshs.2,395,827 or 80%.

Committee Recommendations

The Committee recommends that the Accounting Officer to ensure strict compliance with regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015 with regards to the set limit on the Fund's administration costs, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

CHAPTER TWENTY-EIGHT

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR SAMBURU COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Samburu County, Hon. Johnathan Lati Lelelit appeared before the Committee on Tuesday, 16th July to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Samburu County Bursary Fund for the financial year 2020/2021. The Governor was accompanied by:

1. Mrs. Siwana Kaparu - CECM-Finance
2. Mr. Mark Egelan - CECM-Education
3. Mr. Leitore Benjamin - Bursary Administrator
4. Mr. Letirok Solomon - Chief Officer Finance

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the financial statements of Samburu County Bursary Fund for the period under review.

1. Unsupported Bursary Disbursement

The statement of financial performance reflects bursary disbursements of Kshs. 97,037,876. However, an amount of Kshs. 5,149,000 disbursed to 1,143 students in secondary schools, universities and colleges were not supported with student's admission numbers. Further, disbursements amounting to Kshs. 44,137,000 were not supported with acknowledgement letters from the respective institutions to confirm that the funds reached the intended beneficiaries.

In the circumstances, the accuracy and completeness of bursary disbursements amount of Kshs. 49,286,000 could not be confirmed.

Management Response

Section 5(2) (c) and (d) of the Samburu County Bursaries Fund Act, 2015 states that the duties and responsibilities of the bursary coordinator shall be, keep all records in regards to the fund and any other duty relating to the bursaries fund.

Management stated that most beneficiary institutions acknowledged receipt of Samburu County Bursary for FY 2020/2021 by writing acknowledgement letters and issuing of their official receipts, however it was noted that some institutions no longer write physical receipts but electronic generated receipts, the electronic generated receipts are however only printable once the cheque(s) are cleared in the bank thus sometimes taking a bit of time before they are generated. Also, some institutions that are far from Samburu

County normally sends their receipts and acknowledgment via post office hence reaching us late.

As the duty and responsibility of the Bursary coordinator, we devised a way to show acknowledgement of Bursary by institutions by instructing them to stamp copies of the cheque remittance and the list of beneficiaries once they receive them in their institution.

Committee Observations

The Committee observed that—

i. Some of the acknowledgement receipts are electronically generated thus are printable once the cheques cleared in the banks causing a delay.
ii. Institutions that are far from Samburu County send the acknowledgement receipts via the post office thus reaching the county late.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

2. Errors in the Financial Statements

Review of the financial statements presented for audit revealed that the statement of financial position had not been signed by the Administrator of the Fund and Fund Accountant as required. Further, pages 20, 21, 22, 23, 24 and 25 are not numbered in the financial statements. In addition, the statement of changes in net assets reflects a deficit of Kshs. 9,010,061 which is a net off from the Fund's accumulated balance.

In the circumstances, the financial statements presented do not comply with the prescribed format by the Public Sector Accounting Standard Board (PSASB).

Management Response

Management stated that their responses to the draft had not indicated the errors mentioned because they had been correctly done. However, during the final submission, the Fund Accountant transferred the data to the template he had updated oblivious of the fact that some pages had not been numbered and hurriedly submitted without the signatures of both the Administrator and himself. The management has taken note of this and has put measures in place to counter check final reports to avoid simple unnecessary errors of this nature.

In FY 2020/21 Samburu County Bursary Fund had received a total of KES 92,400,000 while the expenditure incurred was KES 101,410.061.20. This therefore means we had a total of KES 9,010,061.20 as an amount spent over and above the total funds received in that particular year. This was made possible by the fact that the Fund had a balance brought forward of KES 16,755,239.10 from the previous year. Additionally, if the opening balance for the year was KES 16,755,239.10 and the closing balance for the year was KES 7,745,177.90, then it means the amount of the opening balance that was spent on the current year's expenses was KES 9,010,061.20.

The reporting templates named 'Financial Performance for the Year' and 'Statement of Comparison of Budget and Actual Amounts' do not take into account the opening and closing balances of the fund thus giving the deficit mentioned.

Committee Observations

The Committee observed that the Financial Statements were not prepared in the format prescribed by the PSASB as it had some notable errors including unnumbered pages and missing signatures of the fund administrator and accountant.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with**

section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229(6) of the Constitution, based on the audit procedures performed by the Auditor-General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way—

1. Samburu County Bursary Committee

The term of the current Samburu Bursary Committee expired on 16 April, 2021 after serving the maximum two (2) terms of three (3) years each. The County Executive Committee Member for education in consultation with the Governor had not appointed a new Committee contrary to Section 6 (4) of the Samburu County Bursary Fund Act, 2015 which states that the Committee shall hold office for a period of three years and shall be eligible for re-appointment for one further term.

Further, the term of all Ward Bursary Committees had expired and no new re-appointments had been made, contrary to Section 12(4) of the Samburu County Bursary Fund Act, 2015 which states that the members of the ward committees other than the ward administrator and a representative from the office of the elected member of the county assembly shall hold office for a term of three years and shall be eligible for re-appointments for one further term.

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

Management Response

Management stated that it is indeed true that the County Bursary Committee (CBC) and Ward Bursary Committee term of office expired on 16th April, 2021 after serving for two consecutive terms of three (3) years each, however the delay in appointment of new committees (CBC and WBC) was due to the COVID-19 pandemic outbreak which forced the Government of Kenya to put in place strict restrictions such as not allowing group gatherings for the better part of the year 2020 and 2021. The committee needed to be inducted and taken through the Bursary Act, 2015 and the regulations; this was therefore not possible due to the government's directive of no gatherings in social

places. COVID-19 affected the school calendar in Kenya, there were students who joined form one in July/August 2021, the committees however continued to hold office after the expiry of their term as they were involved in the application, disbursement and review of the disbursed form one (1) bursary.

According to Section 6 (3) of the Samburu County Bursaries Fund Act, 2015 it states that the committee shall hold office for a period of three years and shall be eligible for re-appointment for one further term.

After the National government lifted the Covid-19 restrictions, the County Executive Member for education in consultation with the Governor appointed the committee in October 2022 and inducted them in accordance with the Samburu County Bursaries Fund Act, 2015. They are fully in charge of running the day-to-day affair of Samburu County bursary fund.

Committee Observations

The Committee observed that—

i. the delay in appointment of a new Samburu Bursary Committee and Ward Bursary Committee was due to the restriction of movement caused by Covid-19. The pandemic also affected learning as it was stopped for several months.
ii. The County Executive Member for education together with the governor appointed the new Committees in October 2022.

Committee Recommendations

Noting the mitigation measures taken, the Committee recommends that the query be marked as resolved.

CHAPTER TWENTY-NINE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR SIAYA COUNTY EDUCATION BURSARY FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Siaya County, Hon. James Orengo appeared before the Committee on Thursday, 4th April, 2024 to respond (under oath) to audit queries raised in the Report of the Auditor-General on Financial Statements for Siaya County Education Bursary fund for the Financial Year ended 2020/2021. He was accompanied by –

1. CPA Benedict Omollo - CECM-Finance
2. Dr. Edgar Otumba - CECM-Education
3. Mrs. Grace Agola - CECM -Trade
4. Mr. Joseph Ogutu - County Secretary
5. Amb. P.R Owade - County Attorney

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a Qualified Opinion on the financial statements of Siaya County Education Bursary fund for the period under review on the following basis –

1. Presentation, Accuracy and Disclosures of the Financial Statements

Review of the financial statements revealed the following inadequacies: -

1.1 Transfers from the County Government

The statement of financial performance does not reflect any comparative balance in respect to transfers from the County Government while the prior year audited financial statements reflects an amount of Kshs.80,000,000 resulting to a variance of Kshs.80,000,000 which has not been explained or reconciled and no disclosure was provided for the restatement of the prior year balances.

In the circumstances, transfers from the County Government are not properly disclosed.

Management Response

Management stated that the Kshs.80,000,000 which had been erroneously omitted in the comparative balances in the statement of financial performance has since been included.

Committee Observations

The Committee noted that there was a variance of Kshs. 80,000,000 which had not been explained and no disclosure was provided for the restatement of the prior year balances.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

1.2 General Expenses

The statement of financial performance reflects general expenses and finance costs comparative amounts of Kshs.556,054 and Kshs.36,171 while the certified financial statements reflect amounts of Kshs.6,616,255 and Kshs.36,969 resulting to variances of Kshs.6,060,201 and Kshs.798 respectively which have not been explained or reconciled.

In the circumstances, the general expenses and finance costs comparative amounts are not properly disclosed.

Management Response

We note your findings and wish to state the incorrect comparative figures were used in the statement of financial performance for the period under review. The error doesn't affect the financial position of the bursary fund. Going forward we will ensure that the correct comparative figures are used.

Committee Observations

The Committee observed that the query remains unresolved as there were variances of Kshs.6,060,201 and Kshs.798 in relation to the general expenses and finance costs comparative amounts and the certified financial statements.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

1.3 Prepayments

The statement of financial position as at 30 June, 2021 does not reflect a comparative balance of Kshs.611,000 in respect to prepayments which were reported in the prior year. Although the Management has explained that this amount was in respect to an imprest prepared but not paid to the Bursary Fund, no documentary evidence was provided in support of this explanation.

In the circumstances, prepayments are not properly disclosed.

Management Response

We note your findings and wish to state that imprest of Kshs.611,000 was not paid and therefore do not form part of the financial statement for FY 2019-2020. Accordingly, the same could not be reported as a comparative figure in the financial statement for FY 2020-2021. We have attached the financial statement for FY 2019-2020 for your review.

Committee Observations

The Committee observed that no documentary evidence was provided in support of this explanation amount of Kshs.611,000 that was given in respect to an imprest prepared but not paid to the Bursary Fund.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

1.4 Receivables Brought Forward

The statement of financial position does not reflect any comparative balance of Kshs.78,252,000 in respect to receivables which were reported in the year 2019/2020. Although the Management has stated that this amount was erroneous as no bursary funds were transferred to the Fund

Account during the year 2019/2020, no documentary evidence was provided to support this explanation.

In the circumstances, the receivables are not properly disclosed.

Management Response

We acknowledge the error in reflecting Kshs.78,252,000 as receivable in the statement of financial position. We want to clarify that during the year under review, due to the Covid-19 pandemic which saw schools closed, no monies were transferred to the bursary fund account.

We have attached bursary fund bank statement for the period 1 st July 2019 to 30 th June 2020 for your verification.

Committee Observations

The Committee noted that no documentary evidence was provided to support the explanation that the amount of Kshs.78,252,000 was erroneous as no bursary funds were transferred to the Fund.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for

their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

1.5 Revolving Fund

The statement of financial position reflects revolving fund negative opening balance of Kshs.5,514,225 while the 2019/2020 audited financial statements reflect a balance of Kshs.78,865,000 resulting to a variance of Kshs.84,379,225 which has not been explained or reconciled.

In the circumstances, the correctness of the statement of financial position could not be confirmed.

Management Response

We note your observation and wish to state that Kshs.5,514,225 is the correct balance of the revolving fund for FY 2020-2021.The balance of Kshs.78,865,000 refers to receivable for FY 2019-2020 but was not received hence could not be recognized as opening balance for FY 2020- 2021. Accordingly the correct closing balance (2019-2020) and opening balance (2020-2021) is Kshs.5,514,225.

Committee Observations

The Committee noted that there was a variance of Kshs.84,379,225 where the revolving fund negative opening balance shows an amount of Kshs.5,514,225 while the 2019/2020 audited financial statements reflect a balance of Kshs.78,865,000.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of**

the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

1.6 Statement of Changes in Net Assets

The statement of changes in net assets reflects opening balance as at 1 July 2020 of Kshs.2,000 while the closing balance for the prior year audited financial statements reflects a closing balance of Kshs.78,865,000 resulting to a variance of Kshs.78,863,000 which has not been explained or reconciled.

In the circumstances, the correctness of total net assets of Kshs.5,513,665 could not be confirmed.

Management Response

We note your observation and wish to state that Kshs.2,000 is the correct opening balance of the changes in net assets for FY 2020-2021.The balance of Kshs.78,865,000 refers to receivable for FY 2019-2020 but was not received hence could not be recognized as opening balance of Changes in Net Assets for FY 2020-2021.

Committee Observations

The Committee noted that there was a variance of Kshs.78,863,000 where The statement of changes in net assets reflects opening balance as at 1 July 2020 of Kshs.2,000 while the closing balance for the prior year closing balance of Kshs.78,865,000.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

Other Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.80,000,000 and Kshs.80,652,000 respectively resulting to an over-funding of Kshs.652,000. Similarly, the Fund expended

Kshs.75,140,335 against an approved budget of Kshs.80,000,000 resulting to an under-expenditure of Kshs.4,859,665 of the budget.

The underperformance affected the planned activities and may have impacted negatively impacted on issuance of bursary to the needy students of Siaya County.

Management Response

We note your observations and wish to state that the Fund received Kshs.652,000 from the County Treasury for vetting of bursary beneficiaries. This money ought to have been deducted from the Kshs.80,000,000 received from the Controller of Budget but it wasn't hence the surplus funding.

In addition, we wish to clarify that during the year under review the fund expended Kshs.72,822,450 thereby leaving a balance of Kshs.5,511,665. The balance of Kshs.5,511,665 was intentionally reserved for scholarships. However due to legal challenges the money was not spent and therefore remained unutilized at the end of the year.

Committee Observations

The Committee noted that the fund had an over-funding of Kshs.652,000. The Fund also expended Kshs.75,140,335 against an approved budget of Kshs.80,000,000 resulting to an under-expenditure of Kshs.4,859,665 of the budget.

Committee Recommendations

The Committee recommends that the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

CHAPTER THIRTY

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TAITA TAVETA COUNTY EDUCATION FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Taita Taveta County, Hon. Dr. Andrew Mwadime, appeared before the Committee on Monday, 20th November, 2023 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Taita Taveta County Education Fund for the financial year 2020/2021. The Governor was accompanied by the following officers:

1. Mr. Dawson Mzenge - CECM-Finance
2. Ms. Gloriah Monikombo - CECM Education
3. Mr. Nashon Nyali - Chief Officer Finance
4. Ms. Lonye Mwakio - Chief Officer -Education

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Taita Taveta County Education Fund for the financial year under review on the following basis-

Undisclosed Receivable from the County Government

The statement of financial performance reflects transfers from the County Executive of Kshs 80,000,000 as further disclosed in Note 1 to the financial statements. However, records maintained by the County Executive of Taita Taveta indicate the amount transferred to the fund as Kshs 100,000,000. The disbursement receivable of Kshs 20,000,000 has not been disclosed in the statement of financial position as receivables from non-exchange transactions.

In the circumstances, the accuracy and completeness of the receivables from non-exchange transactions could not be confirmed.

Management Response

The amount of Kshs 20,000,000 receipt for the year ended 30th June 2021 was erroneously posted as opening balance for the FY 2021-22, whereas the amount was processed and transferred from County Treasury in the month of June 2021 and received in Education Fund Account in the month of July 2021. However, the amount has since been posted correctly as receipts for the FY 20-21. See attached restated financial statement.

Committee Observations

The Committee observed that the amount of Kshs 20,000,000 was erroneously posted as opening balance for the Financial Year 2021/22, however, the error has since been corrected therefore, the query was addressed.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

Other matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts indicates that the Fund had budgeted to receive Kshs. 137,500,000 from the County Executive of Taita Taveta but

received Kshs. 80,000,000 only and therefore missed its target by Kshs. 57,500,000 or 42%. In addition, the Fund's total expenditure budget amounted to Kshs. 137,500,000. However, the actual expenditure for the year amounted to Kshs. 79,464,480, resulting in net under expenditure of Kshs.58,035,520 or 42% of the budget.

The under expenditure is largely attributed to undisbursed funds by the County Executive and could have affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

The fund received a total amount of KSH 80,000,000 (eighty million) and an additional ksh 20,000,000(twenty million) against a budget of ksh137,500,000 (one hundred and thirty seven million, five hundred thousand) leading to the under-expenditure due to cash flow challenges during the period under review.

Committee Observations

The Committee observed that-

i. The underfunding of Kshs. 57,500,000 or 42% of the budget in the financial year under review was due to delays in disbursement of the Exchequer Releases.
ii. The Fund failed to absorb Kshs. 58,035,520 or 42% of its budget during the financial year under review.

Committee Recommendations

The Committee recommends that-

i. **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
ii. **the National Treasury should ensure timely release of funds to County Governments in line with the cash disbursement schedules approved by the Senate.**

CHAPTER THIRTY-ONE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TANA RIVER COUNTY WARD BURSARY FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Tana River County, Hon. Maj. (Rtd) Dr. Dhadho Gaddae Godhana, appeared before the Committee on Wednesday, 19th February, 2024 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Tana River County Ward Bursary Fund for the financial year 2020/2021. The Governor was accompanied by the following officers:

1. Mrs. Brenda Mokaya - CECM Finance
2. Mr. Abas Kunyo - CECM Education
3. Mrs. Mariam Buni - Chief officer Finance
4. Mrs. Bona Fatuma - CCO Education

REPORT ON THE FINANCIAL STATEMENTS

The Auditor General rendered a **qualified opinion** on the financial statements of the Tana River County Ward Bursary Fund for the financial year under review on the following basis-

1.0 Inaccuracies in the Financial Statements

The statement of comparison of budget and actual amounts reflects a total expenditure of Kshs.69,459,034 which vary with the recalculated amount of Kshs.85,040,966 resulting to an unexplained and reconciled variance of Kshs.15,581,932.

In the circumstances, the accuracy of the statement of comparison of budget and actual amounts could not be confirmed.

Management Response

The omission was noted and corrected in the subsequent years.

Committee Observations

The Committee observed that the variance of Kshs.15,581,932 was an error of omission which is yet to be corrected.

Committee Recommendations

The Committee recommends that-

i. **The Accounting Officer ensures that the necessary reconciliations to correct the omissions are carried out in the financial statements of the subsequent**

year and the Auditor-General to provide a status update on the same during the subsequent audit cycle;

ii. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iv. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

v. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

vi. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

2.0 Unsupported Fund Administration Expenses

As disclosed in Note 2 to the financial statements, the statement of financial performance reflects fund administration expenses totalling to Kshs.3,268,640 which constitutes administration fees, printing and stationery and rental costs amounts of Kshs.2,535,500, Kshs.583,140 and Kshs.150,000 respectively. Included in administration fees is an amount of Kshs.1,703,000 not supported with the minutes approving the expenditure, invitation letters and attendance registers for the meetings. Further, printing and stationary amount of Kshs.583,140 includes an amount of

Kshs.426,320 not supported with payment vouchers. In addition, rental costs totalling to Kshs.150,000 were not supported with payment vouchers and lease agreements.

In the circumstances, the accuracy, validity and completeness of the Fund administration expenses amounting to Kshs.3,268,640 for the year ended 30 June, 2021 could not be confirmed.

Management Response

The expenditure amounting to kshs. 1,703,000, Kshs. 426,320 and Kshs. 150,000 relating to administration fees, printing and stationery and rental costs respectively is supported and voted appropriately.

Committee Observations

The Committee observed that—

i. The management failed to provide minutes of expenditure approval, invitation letters and attendance registers to support administration fees amounting to Kshs.1,703,000 for audit review.
ii. The management failed to provide payment vouchers to support printing and stationary expenses and rental costs amounting to Kshs. 426,320 and Kshs. 70,000 for audit review.
iii. whereas the lease agreements and payment vouchers to support rental costs of Kshs. 80,000 were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that-

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**
ii. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

3.0 Unaccounted for Bursary Payments

The statement of financial performance and Note 3 to the financial statements reflects bursary payments totalling to Kshs.80,960,522. Included in this payment is an amount of Kshs.31,518,000 disbursed to students in various learning institutions but was not acknowledged by the beneficiary institutions. A review of the successful list of applicants revealed that seventy-six (76) students who were awarded bursary amounting to Kshs.1,230,000 did not have admission numbers from their respective institutions of learning.

In the circumstance, the validity and propriety of bursary payments amounting to Kshs.32,748,000 for the year ended 30 June, 2021 could not be ascertained.

Management Response

The list of beneficiaries who did not have admission numbers were form one student who applied bursary using the admission letters but were yet to report to school for them to be given admission numbers.

Due to the diversified nature of beneficiary students and the long geographical distance involved, it was difficult for the bursary board committee to receive all acknowledgement in time. However, the management committee has advised the respective ward committee to ensure that all acknowledgement receipts are submitted to bursary board offices.

The bursary board committee has advised the ward committee members to ensure that all beneficiaries should have admission numbers from their respective institutions for them to be awarded bursary cheques.

Committee Observations

The Committee observed that—

i. The management failed to provide acknowledgement letters to support Bursary disbursements amounting to Kshs.31,518,000.
ii. The list of students awarded bursaries, totaling Ksh 1,230,000, submitted for audit review, did not include the students' admission numbers.

Committee Recommendations

The Committee recommends that-

i. **The Ethics and Anti-Corruption Commission (EACC) conducts investigations on the matter and provides a status update on the same to the Senate within sixty (60) days from the adoption of this report;**

ii. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

iii. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

Other Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final expenditure budget and actual on comparable basis of Kshs.154,500,000 and Kshs.85,040,966 respectively, resulting to an under absorption of Kshs.69,459,034 or 45% of the budget. No satisfactory explanation was given for the underutilization of the budgeted funds. The under expenditure affected the planned activities which may have impacted negatively on service delivery to the public.

Management Response

No response provided.

Committee Observations

The Committee observed that the Fund failed to absorb Kshs.69,459,034 or 45% of its budget during the financial year under review.

Committee Recommendations

The Committee recommends that the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

1.0 Unresolved Prior Year Matters

In the audit report of the previous year, several paragraphs were raised under the report on financial statements, and report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not disclosed the issues under progress on follow up of prior year auditor's recommendations, 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 and Planning Circular Ref: AG.4/16/2/vol.3 (72) dated 30 June, 2021.

Committee Observations

The Committee observed that the query remains unresolved as the management of the Fund did not take action in resolving the queries raised in the report of the Auditor-General for the financial year 2019/2020.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**
ii. **the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229 (6) of the Constitution, based on the audit procedures performed by the Auditor General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way –

1.0 Late Submission of the Financial Statements

The financial statements for Tana River County Ward Bursary Fund for the year ended 30 June, 2021 were submitted to the Auditor-General for audit on 21 October, 2021, a delay of three (3) weeks after the end of the fiscal year to which the accounts relate. This is contrary to Section 47 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'.

In the circumstances, Management was in breach of the law.

Management Response

There was a late submission of the financial statements to the auditor general was as a result of the management to prepare the financial statements in time. The management resolved this and ensures that the financial statements for the year under review are submitted to the Auditor General within the stipulated time.

Committee Observations

The Committee observed that whereas the Fund's financial statements were provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of financial statements in line with section 47(1) of the Public Audit Act, Cap.412B, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62 (2) of the Public Audit Act, Cap.412B in the subsequent audit cycle.

2.0 Appointment of Board Members and Ward Bursary Fund Committee

Review of documents provided revealed that the Fund is operated by Fund Administration Committee whose personal files indicated that the appointment of the committee was not approved by the County Assembly, contrary to Sections 6,7,8 and 9 of the Tana River Ward Bursary Fund Administration Act, 2014. In addition, the appointment letters for bursary ward committee members were not provided and it was therefore not possible to ascertain whether they genuinely held the positions in accordance to Section 13(1) of the Tana River Ward Bursary Fund Administration Act, 2014.

Management Response

Copies of appointment letters of the bursary board committee are hereby availed for your review.

Committee Observations

The Committee observed that—

i. The management failed to provide the County Assembly approvals of the appointments of board members for the Fund for audit review.
ii. The management failed to provide the appointment letters for fourteen (14) Ward Committee Members for audit review.
iii. whereas the appointment letter for one (1) Ward Committee Member was provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that—

i. **The Accounting Officer ensures strict compliance with the provisions of Sections 6,7,8 and 9 of the Tana River Ward Bursary Fund Act, 2014 with regards to approval of appointments of board members by the County Assembly;**
ii. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**
iii. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

3.0 Cash and Cash Equivalents

As disclosed in Note 6 to the financial statements, the statement of financial position reflects a cash and cash equivalents balance of Kshs.71,407,558 as at 30 June, 2021. Review of the Bursary Fund bank statement revealed that the account was overdrawn by an amount of Kshs.616,637 in the month of March, 2021. This is contrary to Regulation 82(7) of the Public Finance Management (County Governments) Regulations, 2015 which requires that no official County Government bank Account shall be overdrawn.

In the circumstances, Management was in breach of the law.

Management Response

The management strengthened the internal controls of updating of the cashbook on a daily basis and monitoring the bank balances of a regular basis. The accountant was also interdicted and the disciplinary procedure was followed to reprimand the officer.

Committee Observations

The Committee observed that the fund's bank account was overdrawn by an amount of Kshs.616,637 contrary to Regulation 82(7) of the Public Finance Management (County Governments) Regulations, 2015.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

ii. **The Accounting Officer ensures strict compliance with the provisions of Regulation 82(7) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that no official County Government bank Account shall be overdrawn, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.**

CHAPTER THIRTY-TWO

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR THARAKA NITHI COUNTY BURSARY DEVELOPMENT FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Tharaka Nithi County, Hon. Muthomi Njuki, EGH, appeared before the Committee on Monday, 15th April, 2024 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Tharaka Nithi County Bursary Development Fund for the financial year 2020/2021. The Governor was accompanied by the following officers:

1. Mr. Jonathan Mwithi - Chief Officer-Education
2. Mr. Lawrence Rweria - CECM-Finance

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an un**qualified opinion** on the financial statements of the Tharaka Nithi County Bursary Development Fund for the financial year under review on the following basis-

Other Matter

1. Budgetary Control and Performance

The statement of comparison of Budget and actual amounts reflects revenue budget and Actual on comparable basis of Ksh 32,683,958 and Ksh. 13,172,000 respectively resulting to under-collection of Ksh. 19,511,958 or 60% of the budget. Similarly, the Fund incurred expenditure of Ksh. 2,100,696 against an approved final expenditure budget of Ksh. 32,638,958 resulting to an under-expenditure of Ksh. 30,583,262 or 94% budget of Ksh. 32,638,958 resulting to an under – expenditure of Ksh. 30,583,262 or 94%.

The under-collection and under-performance affected the planned activities and may have impacted negatively on services delivery to the public.

Management Response

The Management confirms recording under collection of revenue which was occasioned by delayed disbursement of funds from County Executive. The County had allocated an amount of Ksh. 31,770,000 toward school bursary, however, only Ksh. 11,770,000 was received on 21st June 2021. The failure to disburse full budgetary allocation was explained on non-disbursement of equitable share by the national treasury.

The delayed and under-disbursement of funds by the County executive resulted into under performance in terms of payment of scholarship and school bursaries during the year under review. The Fund has in subsequent years ensured the full disbursement of funds by the county executive which has ensured the objective of the Fund are achieved.

Committee Observations

The Committee observed that—

i. The fund had a revenue shortfall of Kshs. 19,511,958 or 60% of its budget during the financial year under review due to delayed exchequer releases.
ii. The fund failed to absorb Ksh. 30,583,262 or 94% of its budget during theh financial year under review.

Committee Recommendations

The Committee recommends that—

i. **the National Treasury should ensure timely release of funds to County Governments in line with the cash disbursement schedules approved by the Senate; and**
ii. **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.**

CHAPTER THIRTY-THREE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA COUNTY ELIMU BURSARY FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Trans Nzoia County, Hon. George Natembeya MBS, appeared before the Committee on Thursday, 30th November, 2023 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Trans Nzoia County Elimu Bursary Fund for the financial year 2020/2021. The Governor was accompanied by the following officers:

1. Mr. Bonface Wanyonyi - CECM-Finance
2. Mr. Stanley Wanyonyi - CECM-Education
3. Mr. Ashton Mulupi - Chief Officer – Education
4. Mr. Emmanuel Masungo - Chief Officer-Finance

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the financial statements of the Trans Nzoia County Elimu Bursary Fund for the financial year under review on the following basis-

1. Unreconciled Bank Balance

The statement of financial position reflects a cash and cash equivalent balance of Kshs. 45,054,438 as disclosed under Note 6 to the financial statements. However, the balance differs from the cash book balance of Kshs. 49,447,562 resulting to an unexplained variance Kshs. 4,393,124. Further, management did not provide a bank reconciliation for the month of June, 2021 and no explanation was provided for the variance.

In addition, the cash book was written in erased ink and did not indicate dates of transactions, contrary to the provisions of regulation 16 of the Public Finance Management (County Governments) Regulations,2015, which stipulates that all financial records and records shall be in indelible ink and shall contain adequate narration of the particulars of the services, goods or works procured and being paid for.

In this circumstance, the accuracy of the statement of the cash and cash equivalent balance could not be confirmed.

Management Response

The figure of Kshs. 45,054,438 is the correct cashbook Bank balance that was used in the preparation of the financial statement and not the figure Kshs 49,447,562 as stated in the audit report of the financial year ended 30th June 2021.

The bank reconciliation as at 30th June 2021 has been availed for audit review.

Committee Observations

The Committee observed that-

i. The variance of Kshs. 4,393,124 between the cashbook and the bank statements has since been reconciled, therefore the matter is addressed.
ii. whereas the bank statement was provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.
iii. The cashbook was written in erasable ink and did not indicate dates of transactions, contrary to the provisions of regulation 16 of the Public Finance Management (County Governments) Regulations, 2015.

Committee Recommendations

The Committee recommends that-

i. **the Accounting Officer should ensure strict compliance with the provisions of regulation 90 (1) of Public Finance Management (County Government) Regulations 2015 with respect to monthly reconciliation of bank statements, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
ii. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle; and**
iii. **The Accounting Officer ensures strict compliance with the provisions of regulation 16 of the Public Finance Management (County Governments) Regulations, 2015, which stipulates that all financial records and records shall be in indelible ink and shall contain adequate narration of the particulars, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.**

2. Unreconciled Bursary Payments

The statement of financial performance reflects a comparative amount of Kshs. 102,610,000 for bursary payments while the previous year's audited financial statements reflected an amount of Kshs. 100,747,000. No explanation was provided for the variance of Kshs. 1,863,000. Similarly, the statement of cash outflows reflects a comparative amount of Kshs. 102,610,000 under bursary payments which is at variance

with the amount of Kshs. 100,747,000 reflected in the previous year's audited financial statements.

In the circumstances, the accuracy of the statement of the financial performance could not be confirmed.

Management Response

The audit observation is noted. Find attached the amended statement of financial performance for the year ended 30th June 2021. A copy of the amended financial statement has been availed to the auditor for review.

Committee Observations

The Committee observed that the management submitted amended financial statements which reflected the correct comparative amounts.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

3. Unreconciled changes in Net assets

The statement of changes in net assets reflects a deficit of Kshs 104,671,074 for the year ended 30 June 2020 which is at variance with the deficit of Kshs 48,085,950 in the audited financial statements for that year resulting in an unreconciled variance of Kshs 56,585,124.

In the circumstances, the accuracy of the statement of changes in net assets could not be confirmed.

Management Response

The audit observation is noted. The figure of deficit of Kshs. 104,671,074 for the year ended 2019-2020 is an error and the correct deficit figure for the year is Kshs 48,085,950.

Committee Observations

The Committee observed that the management submitted amended financial statements which reflected the correct changes in net assets balance therefore, the query was addressed.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

4. Variance in the transfers from the County Government

The statement of financial performance reflects an amount of Kshs 50,000,000 under transfers from the County Government. However, the statement of comparison of budget and actual amounts reflects a nil balance resulting in a variance of Kshs 50,000,000. In addition, the statement of comparison of budget and actual amounts indicates the same amount for budget and actual amounts for fund administration expenses and bursary payments respectively. However, the column for percentage utilization reflects 69% and 91% on fund administration. No explanation was provided for the anomalies.

ln the circumstances, the accuracy of the statement of comparison of budget and actual amounts could not be confirmed.

Management Response

The statement of comparison of a budget and actual amounts does not reflect a nil balance as stated in the audit observation.

Committee Observations

The Committee observed that whereas the management clarified that the statement of comparison of budget and actual amounts submitted for audit review reflected the correct amounts, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229 (6) of the Constitution, based on the audit procedures performed by the Auditor General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way –

1. **Failure to gazette Ward Bursary Committee Members**

Members of the Ward Bursary committee from the 25 Wards were not gazetted as required by Section 12(4) of the Trans Nzoia County Elimu Bursary Act, 2014, which states that the County Executive Committee Member of the Education shall cause the names of the persons appointed as members of ward Bursary Committee to be published in the County Gazette.

In the circumstance, the fund Management was in breach of the law.

Management Response

The audit observation is noted. The Trans Nzoia Elimu Bursary Board has been appointed and gazetted.

Committee Observations

The Committee observed that the management failed to provide evidence to show that the Members of the Ward Bursary committee were not gazetted as required by Section 12(4) of the Trans Nzoia County Elimu Bursary Act, 2014.

Committee Recommendations

The Committee recommends that the Accounting Officer ensures strict compliance with the provisions of Section 12(4) of the Trans Nzoia County Elimu Bursary Act, 2014 with regards to publication of appointed Ward Committee Members in the County Gazette.

2. **Lack of an approved Budget**

The fund did not have an approved budget for the year under review as required by Section 149(2) of the Public Finance Management Act, 2012, and Section 14 of the Trans Nzoia County Elimu Bursary Fund Act, 2014, which require the accounting

Officer to prepare estimates of the revenue and expenditure for the year, submit them to the County Member for Education for review and approval and eventually to the Executive Committee and County Assembly for approval.

Management Response

The approved Trans Nzoia County Elimu Bursary fund board budget is availed for audit review.

Committee Observations

The Committee observed that whereas the approved budget was provided and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

3. Irregular Bursary payments

The statement of financial performance reflects an amount of Kshs. 4,340,000 for bursary payments, which as disclosed in Note 4 to the financial statements, includes an amount of Kshs. 2,500,000 as emergency bursary payments. However, no documentary evidence such as vetting records and application forms were provided to indicate the type and cause of the emergency if indeed there was any. This is contrary to the provisions of Section 11(6)(c) of the Trans Nzoia Elimu Bursary Fund Act,2014, which provides that emergency shall be construed to mean an urgent, unforeseen bursary need for which in the opinion of the ward Bursary committee cannot be delayed, until the next disbursement, without harming the interest of the beneficiary.

Similarly, the bursary payments include an amount of Kshs. 1,840,000 relating to scholarships and other educational benefits. However, these payments were not supported by copies of national identity cards, admissions numbers and other details of students, endorsement from the local administration numbers (Assistant Chief) as well as endorsement from the learning institutions showing how much the students owed the institutions.

In the circumstance, the authenticity of the disbursement could not be confirmed and the Fund Management was in breach of Law.

Management Response

The bursary application forms for emergency bursary payments of Kshs. 2,500,000 are availed for audit review. The Elimu Bursary Fund Board is working on Elimu Bursary Fund regulation to operationalize the Act which will define the emergency.

The Trans Nzoia County Elimu Bursary fund is under scholarship and other educational benefits vote. In the year under review, only the bursary payments were made. The documentary evidence is supported by National Identity cards, admission numbers, other details of students, and endorsement from the local administration for the bursary payment of Kshs. 1,840,000 is available for audit review.

Committee Observations

The Committee observed that whereas the application forms, copies of national identity cards and admissions numbers to support the disbursements of Kshs. 2,500,000 and Kshs. 1,840,000 were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

CHAPTER THIRTY-FOUR

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TURKANA COUNTY EDUCATION AND SKILLS DEVELOPMENT FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Turkana County, Hon. Jeremiah Ekamais Lomorukai, appeared before the Committee on Wednesday, 6th March, 2024 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Turkana County Education and Skills Development Fund for the financial year 2020/2021. The Governor was accompanied by the following officers:

1. Dr. Michael Eregae - CECM Finance
2. Mr. Eyaana Lusac - Fund Administrator
3. Mrs. Korea Moses - CCO Education
4. Mr. Edukon Daniel - Board Member Education

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the financial statements of the Turkana County Education and Skills Development Fund for the financial year under review on the following basis-

1. Inaccuracies in the Financial Statements

The financial statements of the Turkana County Education and Skills Development Fund for the year ended 30 June, 2021 were submitted for audit having been prepared in accordance with International Public Sector Accounting Standards (Accrual Basis), however, the following errors and inaccuracies were noted as summarized below:

1.1 Comparative Figures

Item	Financial Statement 2020/2021 (Kshs.)	Financial Statement 2019/2020(Kshs.)	Variance (Kshs.)
Increase/Decrease in Short Term Receivables	(520,427)	520,427	(1,040,854)
Increase in Trade and Other Payables from Exchange Transactions	(1,132,900)	1,132,900	(2,265,800)

Management Response

In the FY2019/2020 there was an outstanding amount of Kshs.520,427 from current portion of long-term receivables from exchange transactions (Executive internal borrowings). However, during the financial year 2020/2021 this amount was refunded and the amount reported as zero.

Committee Observations

The Committee observed that the errors and inaccuracies within the financial statements were corrected within the financial statements of the subsequent year thus the query was addressed.

Committee Recommendations

The Committee recommends that-

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector**

Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.

1.2 Statement of Cash Flows

The statement of cash flows reflects net cash flows from operating activities amount of Kshs. (44,639,734) while Note 21 of the financial statements reflects net cash flow from operating activities amount of Kshs. (43,506,834) resulting to an unexplained variance of Kshs.1,132,900. In addition, the statement reflects net cash flows from operating activities amount of Kshs. (120,117,381) for the year ended 30 June, 2020. However, the prior year audited financial statements and a recast of the statement reveals Kshs.122,291,135 resulting in unexplained difference of Kshs.2,173,754.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

Management Response

The net cash flows from operating activities figure of Kshs. (44,639,734) in the cashflow statement reflects the correct cash flow position. The amount of Kshs.(43,506,834) in note 21 did not include adjustment of Kshs.1,132,900 resulting in the variance which was corrected in the Financial Statements for the year ended 30th June,2022.

The net cash flows from operating activities for the year ended 30th June, 2020 reflects the correct cashflow position of Kshs. (118,984,481).

Committee Observations

The Committee observed that the variance of Kshs.1,132,900 and Kshs.2,173,754 were due to errors that were corrected within the financial statements of the subsequent year therefore, the query was addressed.

Committee Recommendations

The Committee recommends that-

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of**

the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

2. Payments Bearing Same Cheque Number

The statement of financial performance reflects general expenses figure of Kshs.311,278,734 for the year ended 30 June, 2021 comprising of bank charges of Kshs.155,442 and other expenses amount of Kshs.311,123,292 as disclosed in Note 7 to the financial statements. The amount of Kshs.311,123,292 was paid to various education institutions as fees subsidies for eligible students from the County. However, available information indicates that bursary payments amounting to Kshs.128,469,292 made to various education institutions were done through cheques bearing same cheque numbers from same bank account.

In the circumstances, the Fund is likely to lose funds through duplicated payments.

Management Response

The cheques bearing same cheque numbers was an error emanating from the bank where they issued cheque books series (016001-017341) which duplicated previously issued series of (016001-017901) This anomaly was noted by the fund management and a letter was written to the bank for necessary action.

Committee Observations

The Committee observed that the duplicated cheque numbers were due to an error within the issued cheque books. The management notified the bank about the anomaly.

Committee Recommendations

Noting the mitigation measures taken by the management, the Committee recommends that the query be marked as resolved.

Unresolved Prior Year Audit Matters

In the audit report of the previous year, a number of paragraphs were raised under the Report on Financial Statements. However, Management has not resolved some of the issues nor disclosed all the prior year audit matters as provided by the Public Sector Accounting Standards Board templates

Management Response

Prior year audit matters included variance and other anomalies on the general expenses, disbursement of fees subsidies during COVID -19 pandemic period, lack of approved budget, appointment of the fund's secretariat, non-compliance to Public Finance Management (County Governments) Regulations,2015, Appointment of the funds secretariat and failure to submit audited reports to the county assembly, which current status are as follows:

Committee Observations

The Committee observed that the query remains unresolved as the management of the fund did not take action in resolving the queries raised in the report of the Auditor-General for the financial year 2019/2020.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**
ii. **the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report.**

1.Fund Administration Expenses

The statement of financial performance reflects Fund administrative expenses amount of Kshs.11,228,100 which is approximately 4% of the approved budget of Kshs.279,000,000 for the year contrary to Regulation 197(1)(d) of Public Finance Management (County Governments) Regulations, 2015 which states that Fund

administration costs of the Fund shall be at a maximum of three (3%) percent of the approved budgets of the Fund. The Fund might not meet its intended objective of providing the bursaries to the beneficiaries.

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

Management Response

The management submitted that the fund had a total budget of Kshs.330,179,744 comprising of Kshs.279,000,000 allocation for the year and Kshs. 51,179,744 carried forward from previous financial year. The total budget of Kshs. 330,179,744 was allocated to administration and school fees bursary subsidy of Kshs.16,508,987.20 and Kshs.313,670,757 respectively.

The administration budget amount of Kshs.16,508,987.20 was based on section 24(1) of The Turkana County Education and Skills Development (Amendment) Act, 2016 which allowed 5% administration costs. During the financial year ended 30th June, 2020 the fund incurred administration cost amounting to Kshs.11,228,100 which is within the 5% of Kshs. 330,179,744. Later the Act was amended to reduce the administration costs to 3% in accordance with Public Finance Management (County Governments) Regulations, 2015.

Committee Observations

The Committee observed that-

i. the Fund's expenses for the financial year under review exceeded the 3% limit of the total budget, as stipulated in Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015.
ii. The Turkana County Education and Skills Development (Amendment) Act of 2016 initially set the administration cost limit at 5% of the total budget, which did not comply with the Public Finance Management Act. However, the Act was later amended to bring it into compliance.

Committee Recommendations

The Committee recommends that the Accounting Officer to ensure strict compliance with regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015 with regards to the set limit on the Fund's administration costs, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

2. Other Expenses

The statement of financial performance reflects general expenses amount of Kshs.311,278,734 which includes other expenses of Kshs.311,123,292 paid to various

secondary schools, colleges, and universities as fees subsidies in support of needy students from Turkana County as disclosed in Note 7 to the financial statements. However, out of Kshs.311,123,292, an amount of Kshs.128,055,101 was not supported by acknowledgement in form of official receipts from the respective educational institutions that received funds.
In addition, no support documentation was provided for audit review to show that vetting, identification and categorizing of needy students was done in presence of members of the public and the successful applicants were notified through a gazette notice as well as written communication. This is contrary to Section 22(b) and (d) of the Turkana County Education and Skill Development Act, 2014 which states that the ward appraisal committee should hold its meetings in public with members of the public present and successful applicants will be notified through the County gazette notice as well as written communication.

Review of the records revealed that the Fund does not maintain a current/updated database of all raw applicants and secondary schools, colleges and universities that are registered by the Ministry of Education to ascertain whether the students who applied for and received bursary are undertaking their studies in the respective registered institutions. There is a likelihood of undeserving students getting bursaries at the expense of needy/deserving cases.

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

Management Response
The fund management always demands for official receipts from the all educational institutions receiving bursary funds.

The act in section 22(d) requires notification through county gazette notice which has not been devolved to counties. However, the fund management notifies the successful applicants through sub county and ward administrators office notice boards.

The management has an excel database of beneficiaries for the last four years.

Committee Observations

The Committee observed that-

i. The management failed to provide official receipts from the respective educational institutions to support an amount of Kshs.128,055,101 for audit review.
ii. The Fund management was in breach of the Turkana County Education and Skill Development Act, 2014 as they failed to provide evidence showing that vetting, identification and categorizing of needy students was done in presence of

members of the public and the successful applicants were notified through a gazette notice as well as written communication.

Committee Recommendations

The Committee recommends that-

i. **the Ethics and Anti-Corruption Commission (EACC) conducts investigations on the matter and provides a status update on the same to the Senate within sixty (60) days from the adoption of this report;**
ii. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle; and**
iii. **the Accounting Officer ensures strict compliance with the provisions of Section 22(b) and (d) of the Turkana County Education and Skill Development Act, 2014 with regards to the vetting process.**

3.Non-Submission of Monthly Financial and Non-Financial Budgetary Reports

The statement of financial performance reflects total expenses amount of Kshs.322,506,834 comprising of fund administration expenses of Kshs.11,228,100 and general expenses of Kshs.311,278,734 as disclosed in Notes 6 and 7 to the financial statements. However, there was no evidence provided to show that Fund Management submitted monthly financial and non-financial budgetary reports to the Controller of Budget and Auditor-General during the year. This is contrary to Regulation 54(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that an Accounting Officer of a County Government entity shall not later than the 10" 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.

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

Management Response

The fund management submitted quarterly financial statements to the County Treasury with copies to the Controller of Budget and the county assembly.

Committee Observations

The Committee observed that whereas evidence to show that monthly financial and non-financial budgetary reports were submitted to the Controller of Budget and Auditor-General were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

4. Implementation of Oversight Bodies' Recommendations

The Turkana County Education and Skills Development Fund was established on 30 June, 2014. The objective of the Fund is to provide framework for consultation and coordination between the County Executive, Ward Appraisal Committee, and other stakeholders in the education sector among others. Annual statutory audits of the Fund for the years ended 30 June, 2015 to 2019 were concluded and audit reports issued to the Fund Management by the Auditor-General.

However, there was no evidence to show that the financial statements were discussed by the Audit Committee and were submitted to the County Assembly for consideration contrary to Section 149(1) of the Public Finance Management Act, 2012 which states 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. This means the recommendations of the Auditor-General may not be implemented in the absence of effective oversight on utilization and accountability for public funds.

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

Management Response

The Auditor General normally sends annual audit reports of County Government and its entities directly to the County Assembly which forms the basis for the county assembly public accounts and investment committee to sermon management of the respective entities. The County executive and the management of the county funds have always honored all the sermons by the County Assembly.

Committee Observations and Recommendations

Although the management may not have been invited by oversight committees or the legislators, the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply.

Lack of Risk Management Policy

The Turkana County Education and Skills Development Fund operated without a Risk Management Policy during the year ended 30 June, 2021 contrary to Section 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each County Government Entity to develop risk management strategies and a system of risk management law. Management is therefore not likely to identify risks and put in place appropriate measures to mitigate such risks.

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

Management Response

The county treasury has drafted the policy for cabinet approval and onward submission to county assembly for approval and is expected to be ready by 30th June, 2024.

Committee Observations

The Committee observed that the fund operated without a Risk Management Policy in place during the financial year under review contrary to regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015.

Committee Recommendations

The Committee recommends that the County Executive Committee Member (CECM) - Finance ensures that the Fund puts in place all internal control systems such as a Risk Management Policy as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of the Fund. Further, the County Executive Committee Member (CECM) - Finance to submit evidence of the same to the Auditor General for verification.

CHAPTER THIRTY-FIVE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR UASIN GISHU COUNTY BURSARY AND SKILLS DEVELOPMENT SUPPORT FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Uasin Gishu County, Hon. Jonathan Bii, EGH, appeared before the Committee on Monday, 15th April, 2024 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Uasin Gishu County Bursary and Skills Development Support Fund for the financial year 2020/2021. The Governor was accompanied by the following officers:

1. Mr. Micah Kipkosgei - CECM-Finance
2. Mr. Antony Sitienei - CECM-Education
3. Mrs. Roselyn Kosgei - Fund Administrator Bursary
4. Mrs. Marion Birgon - Chief Officer-Education

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the financial statements of the Uasin Gishu County Bursary and Skills Development Support Fund for the financial year under review on the following basis-

1. Inaccurate Statement of Changes in Net Assets

The statement of changes in net assets reflects a nil revolving fund balance and accumulated surplus of Ksh. 1,871,936 while the statement of financial position reflects revolving fund and accumulated surplus balances of Ksh. 276,606 and Ksh. 1,595,330 respectively, resulting to unexplained variances of Kshs. 276,606 and Kshs. 276,606 respectively.

In the circumstances, the accuracy and completeness of the revolving fund and accumulated surplus of Ksh. 1,871,936 respectively could not be confirmed.

Management Response

The County acknowledges the observations. Kshs 276,606 was the balance brought down as at 1 July 2020. The anomaly was corrected in the subsequent financial year.

Committee Observations

The Committee observed that the variances of Kshs. 276,606 and Kshs. 276,606 between the revolving fund balance and accumulated surplus reflected within the statement of changes in net assets and the statement of financial position were errors which are yet to be corrected.

Committee Recommendations

The Committee recommends that—

i. **The Accounting Officer ensures that the necessary reconciliations to correct the omissions are carried out in the financial statements of the subsequent year and the Auditor-General to provide a status update on the same during the subsequent audit cycle;**

ii. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iv. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

v. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

vi. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects amount spent totaling to Kshs. 123,404,670 against an approved budget of Kshs. 125,000,000 resulting to an under expenditure of Kshs. 1,595,330 of the budgets.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the residents of Uasin Gishu.

Management response

The County acknowledges the observation. The unspent funds amounting to Kshs 1,595,330 was carried forward and utilized in subsequent financial year 2021/2022.

Committee Observations

The Committee observed that the fund failed to absorb Kshs. 1,595,330 of its budget during the financial year under review.

Committee Recommendations

The Committee recommends that the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229 (6) of the Constitution, based on the audit procedures performed by the Auditor General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way –

1. Scholarships and other Educational Benefits

The statements of financial performance for the year ended 30 June, 2021 reflects general expenses amount totaling to Kshs. 118,598,945 being scholarships and other educational benefits to various secondary schools, colleges and universities in respect of students from the thirty (30) wards in the County of Uasin Gishu. However, the management did not provide evidence to support the process of awarding of the bursaries, as required under Section 22(4) of the Uasin Gishu County Bursary and Skill Development Support Fund Disbursement Act, 2014 (Amended 2019).

In the circumstances, the Management was in breach of the law.

Management response

The observation has been acknowledged. The County fund committee oversights the bursary process. There are 30 ward education bursary fund appraisal committees who

invite applications for fee support, vet the beneficiaries and prepare lists of successful applicants. All the requisite documents have been availed.

Committee Observations

The Committee observed that the management failed to provide the criteria used to identify beneficiaries of the bursary disbursements.

Committee Recommendations

The Committee recommends that the County Executive Committee Member (CECM) in charge of Education and the Accounting Officer to ensure that a policy for selection of Bursary beneficiaries is developed in order to guide allocation based on needs assessment.

2. Failure to Develop Regulations to the Act

The Management has not developed regulations, policies and procedures that would operationalize the Act, and assist in the management, efficient utilization, and accountability of bursary funds contrary to Section 25(1) of the Uasin Gishu County Bursary and Skill Development Support Fund Disbursement Act, 2014.

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

Management Response

The management acknowledges the observation. At the time of this audit, the County had not developed a fund regulation to assist in the operationalization of the Act. However, during this financial year 2023/2024, the County Executive has developed a draft regulation to be forwarded to the County Assembly for approval.

Nonetheless, The Uasin Gishu County Bursary and Skills Development Support Fund Disbursement Act 2014 is currently undergoing a second amendment. The County is waiting for the amendment and approval of the Act to be completed, so as to incorporate the changes in the regulations and subsequently forward the same to the County Assembly for approval.

Committee Observations

The Committee observed that the County Executive Committee Member in charge of Education failed to develop regulations for the Fund contrary to section 25(1) of the Uasin Gishu County Bursary and Skills Development Support Disbursement Act, 2014.

Committee Recommendations

The Committee recommends that the County Executive Committee Member in charge of Education ensures strict compliance to the provisions of section 25(1) of the Uasin Gishu County Bursary and Skills Development Support Disbursement Act, 2014 with regards to development of regulations for the Fund.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Pursuant to section 7(1) of the Public Audit Act, based on procedures performed by the Auditor General, the following matter formed the basis for conclusion that internal controls, risk management and overall governance were not effective –

Lack of Risk Management Policy

The fund did not have a Risk Management Policy or disaster recovery plan in place during the year under audit. In the circumstances, Management lacks a mechanism to help in detection and mitigation of any possible risk to the Fund.

Management Response

The County acknowledges the observation and is working to cascade the institutional-wide risk management policy. Further, the County is developing risk registers and strategies for effective and efficient performance of operations.

Committee Observations

The Committee observed that the Fund operated without a risk management policy in place during the financial year under review.

Committee Recommendations

The Committee recommends that the County Executive Committee Member (CECM) - Finance ensures that the Fund puts in place all internal control systems such as a Risk Management Policy as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of the Fund. Further, the County Executive Committee Member (CECM) - Finance to submit evidence of the same to the Auditor General for verification.

CHAPTER THIRTY-SIX

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR UASIN GISHU COUNTY EDUCATION REVOLVING FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Uasin Gishu County, Hon. Jonathan Bii, EGH, appeared before the Committee on Monday, 15th April, 2024 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Uasin Gishu County Bursary and Skills Development Support Fund for the financial year 2020/2021. The Governor was accompanied by the following officers:

1. Mr. Micah Kipkosgei - CECM-Finance
2. Mr. Antony Sitienei - CECM-Education
3. Mrs. Marion Birgon - Chief Officer-Education
4. Mr. Stephen Kemoi - Fund Administrator-CERF

REPORT ON THE FINANCIAL STATEMENTS

The Auditor General rendered a **qualified opinion** on the financial statements of the Uasin Gishu County Bursary and Skills Development Support Fund for the financial year based on the following basis-

Unsupported Long-Term Receivables from Exchange Transactions

The statement of financial position reflects long term receivables from exchange transactions balance of Kshs.207,706,600 which was amended from the previously reported balance of Kshs.208,123,550. However, the journal entries supporting the adjustments were not provided for audit.

In the circumstance, the accuracy and recoverability of long-term receivables from exchange transactions balance of Kshs.207,706,600 could not be confirmed.

Management Response

In the financial year 2020/2021 the total long-term receivables were Kshs.208, 123,550 less total loan repayment of Ksh. 416,950 during the same year resulting to balance of Ksh. 207,706,600 as explained below.

FY	Details	Amount
2019/2020	Opening Balance	129,785,370
	loans advanced during the year	57,920,780
	Closing balance	187,706,150
2020/2021	Opening balance	187,706,150
	Loan advanced during the year	20,417,400

	Total loan advance	208,123,550
	Less loan repayment during the year	(416,950)
	Balance carried forward to the FY 2021/2022	207,706,600

Committee Observations

The Committee observed that the management failed to provide journal entries supporting the adjustments of Kshs. 416,950 in respect to long term receivables from exchange transactions.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

ii. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts indicates that the Fund spent Kshs.22,258,485 against an approved budget of Kshs.43,796,975 resulting to an under expenditure of Kshs.21,538,490 or 49% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

Kshs 21,538,490 was not utilized during the year under review due to the effects of

the COVID -19 pandemic and its stringent health protocols. During the period all institutions were closed down hence no funds could be transferred to the institutions at the time. However, amount was utilized in the following financial year.

Committee Observations

The Committee observed that the fund failed to absorb Kshs.21,538,490 or 49% of the budget due to the effects of the COVID -19 pandemic.

Committee Recommendations

The Committee recommends that the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, 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.

Management Response

County assembly invited County on 26th January 2021 to deliberate on the OAG reports for the FY 2017/2018. The Senate has invited the funds to deliberate on the OAG reports for 2019/2020, 2020/2021 and 2021/2022. The matters will be resolved and the County will implement the recommendations accordingly.

Committee Observations

The Committee observed that the query remains unresolved as the management of the fund did not take action in resolving the queries raised in the report of the Auditor-General for the financial year 2019/2020.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of**

section 199 of the Public Finance Management Act on penalties for offences may apply; and

ii. **the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Pursuant to Article 229(6) of the Constitution, based on the audit procedures performed by the Auditor-General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way—

1. Failure to Develop Regulations

Review of records revealed that the Management did not developed regulations, policies and procedures that would enable proper implementation of the Act and would assist in the management, efficient utilization and accountability of Revolving funds contrary to Section 30 of the Uasin Gishu County Education Revolving Fund Disbursement Act, 2016, which provides that the County Executive Committee Member may make Regulations generally for the better carrying out into effect the provisions of this Act.

Management Response

County has developed a draft the regulations that would enable the operationalization of the Act. The same has been forwarded to the County Assembly for approval.

Committee Observations

The Committee observed that the County Executive Committee Member in charge of Education failed to develop regulations for the Fund contrary to section 30 of the Uasin Gishu County Education Revolving Fund Disbursement Act, 2016.

Committee Recommendations

The Committee recommends that the County Executive Committee Member in charge of Education ensures strict compliance to the provisions of section 30 of the Uasin Gishu County Education Revolving Fund Disbursement Act, 2016 with regards to development of regulations for the Fund.

2. Failure to Charge Interest

The statement of financial performance for the Fund reflected nil interest income. However, a review of documents provided for audit revealed that the Management and

the board had advanced loans amounting to kshs.207,706,600 to students. However, no interest was charged on the loans disbursed contrary to Regulation 197(1) (e) of the public Finance Management (County Governments) Regulations, 2015 which require the Management to confirm in writing that the establishment of the Fund and its continued existence will not depend on annual financing from the County Exchequer.

Management Response

During the period under review, the Act 2016 had no provision for interest chargeable hence no interest receivable was disclosed in Note 12. However, the amended Act of 2022 approved by the County assembly gave powers to the fund to charge an interest of 1% per annum which was implemented during the FY 2022/2023.

Committee Observations

The Committee observed that the fund did not apply interest on the loans provided to students, leading to a reliance on exchequer releases for the fund's sustainability. However, the fund has since introduced interest charges on these loans.

Committee Recommendations

The Committee recommends that the Accounting Officer ensures that all loan beneficiaries are notified of the newly introduced interest charges on their loans within 60 days from the adoption of this report.

3. Board Members' Ethnic Composition

As previously reported, available information revealed that the nine (9) member of Uasin Gishu County Education Loans Board were appointed by the Governor of Uasin Gishu County on 13 May , 2019 for a three –year term .The board comprises of seven (7)male members or approximately 78% and two (2) female members or approximately 22% of board membership contrary to section 8(2) of Uasin Gishu County Education Revolving Fund Act, 2016 which states that in appointing board members, the appointing authority shall observe the provisions of the Constitution regarding gender balance, marginalized persons, minorities, the youth and persons with disabilities.
ln the circumstances, Management was in breach of the law.

Management Response

County is in cognizant with the provisions of the Constitution of Kenya on National Cohesion and Integration Act 2008, and County Education Revolving Fund Act of 2016 under section 8 (1). To adhere to the provision in the FY 2022/2023, a new committee

was put in place with a composition 5 Male and 4 female, which translates to 55% male, and 45% female respectively as indicated below:

County Education Revolving Fund Committee

Ref	Name	Gender	Position
1	Dr. Joel Chelule	M	Chairman
2	Dr.Susan Keino	F	Vice Chairperson
3	Dr David Kessio	M	Member /Representative Technical and higher Education
4	Dr Joseph Lelan	M	Member
5	Dr. Stellah Jepngetich Ketter	F	Member
6	Abigael Mukosi	F	Member representing youth
7	Peter Kiarie	M	Member representing minority
8	Esther Jepchirchir	F	Member representing person with Disability

Committee Observations

The Committee observed that the membership of the County Education Loans Board was reconstituted in 2023 and is now in compliance with Article 197(1) of the Constitution of Kenya, 2010 and Section 8 (1) of Uasin Gishu County Education Revolving Fund Act, 2016.

Committee Recommendations

Noting the mitigation measures taken, the Committee recommends that the query be marked as resolved.

4 Non-Recovery of Loans

As previously reported, the statement of financial position reflects long-term receivable from exchange transactions figure of Kshs.207,706,600 which includes Kshs.101,621,500 being loans advanced to students who had completed their studies in the years 2015, 2016, and 2017. However, a review of documents revealed that the Management had not started recovering these long outstanding loans from the beneficiaries. Further, there were no clear guidelines on how and when the loans will be repaid.

Management Response

The committee for advancement and recovery of loan have been formed and measures have been put in place to recover the loans from beneficiaries. This include but not limited to inviting the beneficiaries to sign commitment forms to repay loans; and commit standing orders to different entities for those already employed.

Committee Observations

The Committee observed that the query is recurrent and remains unresolved as loans amounting to Kshs.101,621,500 remained outstanding for an extended period, with some dating back to 2015. The recoverability of these loans is questionable, and management did not outline any concrete measures implemented to facilitate their recovery.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer should, within 60 days of the adoption of this report, submit a debtors' schedule to the Auditor-General for verification;**
ii. **the Accounting Officer should within 60 days of the adoption of this report, submit an approved copy of the Debt Management Policy to the Auditor general for verification. The Auditor-General to verify the policy and submit a status update on the same in the subsequent audit cycle;**
iii. **the Accounting Officer should, within 60 days of the adoption of this report, put in place recovery measures for the outstanding amount with clear timelines. The Auditor-General should review the implementation of the measures put in place provide a status update on the matter in the subsequent audit cycle; and**
iv. **The Accounting Officer to undertake a detailed analysis of its long outstanding trade receivables and with the Board's approval, write off the irrecoverable debts in line with the Section 130 (2) (d) of the Public Finance Management (County Governments) Regulations, 2015.**

CHAPTER THIRTY- SEVEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR VIHIGA COUNTY EDUCATION FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Vihiga County, Hon. DR. Wilber Ottichilo E.G.H, appeared before the Committee on Tuesday, 18th June 2024, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Vihiga County Education Fund for the financial year 2020/2021. The Governor was accompanied by:

1. Dr. Ruth Agesa - CECM-Education
2. CPA Keverenge Joseph - CO Planning and Budget
3. Mr. Dominic Lwaro - Chief Officer Education
4. Mr. Felix Mugalitsi - Fund Administrator Education

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the Financial Statements of the Vihiga County Education Fund for the period under review on the following basis-

1. Unsupported Transport Allowance

The statement of financial performance reflects administrative expenses of Kshs. 1,487,741 as disclosed in Note 2(a) to the financial statement which includes transport allowance amounting to Kshs. 106,000. The allowance includes an amount of Kshs. 88,000 spent on fuel for two (2) vehicles registration No. 38CG002A and No. 38CG003A. However only the two vehicles drew fuel using same receipts which did not indicate the litres drawn by each vehicle. In the circumstances, the accuracy of fund administration expenses could not be confirmed

Management Response

Kshs. 88,000 in question spent on fuel for four vehicles and not two as were highlighted by the auditor. The litres drawn by the four vehicles were indicated in the work tickets and not on the cash sale receipts.

Committee Observations

The Committee observed that the work tickets provided by the management indicated the litres drawn and that the number of vehicles were four and not two which spent Kshs. 88,000 on fuel.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the

Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

2. **Unsupported Lunches**

The statement of financial performance reflects administrative expenses of Kshs. 1,487,741 as disclosed in Note 2(a) to the financial statements. The amount includes lunches expenses of Kshs. 776,500 which includes payments totaling Kshs. 157,000 being allowance to twenty-three officers for five days. However, six of the officers were paid at the rate of Kshs. 3,000 per day, five officers at the rate of Kshs. 1,000 per day while twekve officers at the rate of Kshs. 700 per day. The daily rates used are contrary to section C 17(1) of the Human Resources Policies and Procedures Manual for the Public Service 2016 which states that meal allowances shall be paid at the rate of 15% for breakfast, 20% for dinner of the daily subsistence rate applicable.

In the circumstances, the accuracy and regularity of lunches expenses could not be confirmed.

Management Response

The allowances were paid as per the board minutes. However, currently the management has adopted the SRC rates in payment of the meal allowances.

Committee Observations

The Committee observed that lunch allowances were being paid as per the board minutes and not as per the rates prescribed by SRC.

Committee Recommendations

The Committee recommends that the management should ensure strict adherence to section C 17(1) of the Human Resources Policies and Procedures Manual for the Public Service 2016 and pay allowances as per the SRC rates.

OTHER MATTER

1. **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts revealed that the fund had approved revenue budget of Kshs. 106,127,396 but only realized Kshs. 99,127,396 or 92% of the budget. In addition, the Fund spent Kshs. 74,456,741 or approximately 75% of the budgeted expenditure of Kshs. 99,127,396 resulting to under-expenditure of Kshs. 24,670,655 or 25% of the budget.

The under realization and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

The under expenditure on the scholarship monies was occasioned by change in the academic calendar occasioned by Covid-19. During the year under review, the tuition fees for the scholarship beneficiaries had already been settled. Therefore, the scholarship balance was to offset tuition fees for the preceding academic year.

Committee Observations

The Committee observed that the Fund had an approved revenue budget of Kshs. 106,127,396 but received Kshs. 99,127,396. Out of the amount received the management spent Kshs. 74,456,741 due to change of the academic year occasioned by Covid-19.

Committee Recommendations

The Committee recommends that the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

REPORT OF EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Pursuant to section 7(1)(a) of the Public Audit Act, based on the audit procedures performed by the Auditor-General, the internal control, risk management and governance were not effective—

1. Non-Maintenance of Imprest Register

The statement of financial performance as disclosed in note 2(a) to the financial statements reflects daily subsistence allowance of Kshs. 307,000 to various officers. However, the management did not maintain an imprest register to record the amount paid so that the same could be accounted for. The payees also did not make any formal imprest applications using imprest warrants as required by the regulations. This is contrary to the provisions of Section 93 of the Public Finance Management (County Government) Regulations 2015 which states that an imprest shall be issued for a specific purpose, and any payments made from it, shall be only for the purpose specified in the imprest warrant and that before issuing temporary imprests under paragraph (2), the

Accounting Officer shall ensure that the applicant imprest has been recorded in the imprest register including the amount applied for.

Consequently, the management was in breach of the law.

Management Response

The management has since adopted the maintenance of the imprest register.

Committee Observations

The Committee observed that the management did not maintain an imprest register as at the time of audit but has since developed and managed one.

Committee Recommendations

The Committee recommends that management should have an imprest register and adhere to regulation 93 of the Public Finance Management (County Government) Regulations 2015 on managing imprests, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

CHAPTER THIRTY-EIGHT

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR WAJIR COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2020/2021

The Governor of Wajir County, Hon. FCPA Ahmed Abdullahi, EGH, appeared before the Committee on Monday, 22th April, 2024 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Wajir County Bursary Fund for the financial year 2020/2021. The Governor was accompanied by the following officers:

1. Mr. Mohamed Hussein - CECM Finance
2. Mr. Hillow Issack - County Secretary
3. Mr. Issa Kuresh - Fund Administrator

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **qualified opinion** on the financial statements of the Wajir County Bursary Fund for the financial year based on the following basis-

1. Non-submission of Prior Years Financial Statements

The Bursary Fund was established in the year 2014. However, Management did not submit to the Auditor-General financial statements for the financial years ended 30 June, 2015; 2016; 2017 and 2018.

In the circumstances, it was not possible to confirm the accuracy and validity of the opening balances in the financial statements for the financial year ended June, 2021.

Management Response

The Financial Statements for the FYs 2014-2015, 2015-2016, 2016-2017 and 2017-2018 have been prepared and submitted on 22nd December, 2022.

The management gives the assurance that going forward all financial reports will be prepared and submitted before statutory deadlines.

Committee Observations

The Committee observed that whereas the Financial statements of the Fund were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of financial statements in line with section 47(1) of the Public Audit Act, Cap.412B, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62 (2) of the Public Audit Act, Cap.412B in the subsequent audit cycle.

2. Inconsistencies in Format and Presentation of Financial Statements

Review of the financial statements for the year ended 30 June, 2021 submitted for audit revealed the following anomalies:

i. Information about management team does not caption photographs of the members as required by the Public Sector Accounting Standards Board (PSASB) reporting template.
ii. The pages containing the statement of financial position, the statement of changes in net assets, the statement of cash flows and statement of comparison of budget and actual amounts are not numbered.
iii. Referencing of note numbers on the face of the financial statements is not consistent with the notes in support of the balances in the financial statements.
iv. In addition, no explanatory note has been provided for scholarships and other educational benefits expenditure balance totalling Kshs. 77,088,000 reflected in the statement of financial performance. As a result, the accuracy and validity of thebalance could not be confirmed.

In view, of these anomalies, the financial statements are not compliant with the format prescribed by the Public Sector Accounting Standards Board.

Management Response

The anomalies in the financial statement have been corrected and submitted for Audit review as below:

i. Information about the Management team containing photographs of the members of the team as required by the reporting template prescribed by the Public Sector Accounting Standards Board (PSASB) have been corrected as required.
ii. Pages of the statement of financial position, the statement of changes in net assets, the statement of cash flows and statement of comparison of budget and actual amounts has been numbered as required.
iii. Referencing of note numbers on the face of the financial statements has been adjusted and is now consistent with the notes in support of the balances in the Financial Statement.

iv. The management corrected the anomaly and provided explanatory note in regard to expenditure totalling Kshs. 77,088,000 on scholarships and other educational benefits reflected in the statement of financial performance.

Committee Observations

The Committee observed that the financial statements of the fund lacked caption photographs of the management team, had unnumbered pages in key sections, displayed inconsistent note referencing, and omitted an explanatory note for Kshs. 77,088,000 in expenditures on scholarships and educational benefits and therefore, did not comply with the format prescribed by the Public Sector Accounting Standards Board (PSASB).

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector**

Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.

3. Discrepancies in the Financial Statements

The statement of comparison of budget and actual amounts reflects nil income budget and total expenditure budget of Kshs. 1,410,000.

In the circumstance, no evidence was provided on the source of funds that funded the expenditure.

Management Response

The fund prepared its budget of Kshs. 82,000,000 for the financial year 2018/2019 which was approved by the County Assembly. The fund was spent in the FY 2018/2019 and 2019/2020 leaving an amount of Kshs. 1,419,088 as reflected in the statement of financial position as at 30 June 2020. This amount was unutilized funds that was spent in the Financial Year 2020/2021.

Committee Observations

The Committee observed that the management clarified that the Kshs. 1,410,000 expenditure was a balance brought forward from the previous financial year.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**

iv. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

v. **the Accounting Officer should enhance the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements; and**

vi. **the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

4. Late Submission of Financial Statements

Contrary to Section 116(7) of the Public Finance Management Act, 2012 and Section 47(1) of the Public Audit Act, 2015, the financial statements for the year under review were submitted to the Auditor-General on 16 December, 2021. This was close to six (6) months after the end of the year. The two laws require financial statements of public entities to be submitted to the Auditor-General within three months after the end of each financial year.

In the circumstance, no explanation was provided on the source of fund that funded the expenditure.

Management Response

The Bursary Fund's Financial Statement was part of the consolidated County Executive Financial Statement prepared for the year under review. However, after advice from the Office of the Auditor General, a separate Financial Statement was prepared for the Fund and submitted to the Auditor for review.

Subsequently, from the Financial Year 2021-2022 the management of the fund ensured that the Financial Statements were submitted on a timely basis as required by law.

Committee Observations

The Committee observed that whereas the Financial statements of the Fund were provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of financial statements in line with section 47(1) of the Public Audit Act, Cap.412B, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62 (2) of the Public Audit Act, Cap.412B in the subsequent audit cycle.

5. Failure to Follow Due Process in Preparing Budget

Management did not prepare and submit budget estimates to the County Executive Committee Member for Finance as required by Section 149(2) (h & i) of the Public Finance Management Act, 2012. As a result, in addition to Management flouting the law, the source of the budget estimates reflected in the statement of comparison of budget and actual amounts could not be confirmed.

Management Response

The Fund prepared its budget of Kshs. 82,000,000 for the Financial Year 2018/2019 and forwarded to the County Executive Committee Member Finance for approval and inclusion into the FY 2018/2019 County Budget. Subsequently, the FY 2018/2019 County Budget was appropriated by the County Assembly.

During the Financial Year 2018/2019 an amount of Kshs. 3,445,000 was spent leaving a balance of Kshs. 78,555,000 as unutilized funds that was brought forward to and spent as Bursaries during the Financial Year 2019/2020. During the Financial Year 2020/2021 a balance of Kshs. 1,419,088 was brought forward and spent as Bursaries. During the year under review, no bursary fund was allocated due to the COVID Epidemic and closure of Schools.

Committee Observations

The Committee observed that whereas evidence of the submission of budget estimates to the County Executive Member for Finance was provided and verified by the Auditor-General, and the query marked as addressed, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 9(1)(e) of the Public Audit Act, Cap.412B failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

6. Failure to Enact Bursary Fund Regulations

The Wajir County Bursary Fund Act, 2019 which established the Fund was assented to on 11 April, 2019. As at 1 March, 2022 when the audit was concluded, the Fund regulations provided for under Section 32(3) of the County Bursary Fund Act, 2019 had not been made and approved by the County Assembly.

In the circumstances, Management of the Fund was in breach the law. Further, it was not possible to confirm whether the operations of the Fund were carried out in compliance with the Act.

Management Response

In light of the above audit finding regarding the delay in developing fund regulations as required, the management acknowledges the importance of adhering to regulatory timelines. The Fund has developed the County Bursary Fund Regulations, 2023 that was approved by the County Assembly in conformity with the Wajir County Bursary Fund Act, 2019.

Committee Observations

The Committee observed that the Fund operated without Fund Regulations in place as at the time of audit, however, the County Bursary Fund Regulations, 2023 have since been developed and approved.

Committee Recommendations

Noting the mitigation measures taken by the County Government, the Committee recommends that the query be marked as resolved.

7. **Failure to Secure Financial Data**

The cash book of the Fund was maintained in MS Excel worksheets. However, the data was not secured with back- ups of any form and was therefore at risk of loss or damage.

In the circumstances, it was not possible to confirm the integrity of data contained in the MS Excel cash books.

Management Response

In the Financial Year 2020-2021 the cashbook was in MS Excel Worksheet Format. However, during the subsequent Financial Years the Fund maintained both MS Excel Worksheet Format (soft copy) and manual cash book (hard copy) as a back-up.

Committee Observations

The Committee observed that the cash book provided for audit was kept in MS Excel, with no evidence of proper security measures or backups to ensure the integrity of the records.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer to ensure that a secure accounting software with regular data backup procedures, encryption for sensitive financial records, and access control measures to protect the integrity and security of data is implemented. The Auditor-General to provide a status update on the same during the subsequent audit cycle; and**
ii. **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.**

8. **Failure to Establish Audit Committee**

Review of internal control and risk management systems of the Fund indicated that contrary to the requirements of Section 155(5) of the Public Finance Management Act,2012, the County Executive of Wajir under which the Fund is established had not established an Audit Committee. As a result, internal control risk management and governance over the operations of the Fund were inadequate.

Management Response

Audit Committee was established during the FY 2021/2022 as per Section 155(5) that provides for the establishment of the internal audit function and an Audit Committee of the Board.

Committee Observations

The Committee observed that the Fund operated without an Audit Committee in place during the financial year under review, however, an Audit Committee has since been established.

Committee Recommendations

The Committee recommends that the County Executive Committee Member (CECM) - Finance ensures that the Fund puts in place all internal control systems such as the Internal Audit Committee as provided under section 155 (5) of the Public Finance Management Act, 2012, among others to guide the internal operations of the Fund. Further, the County Executive Committee Member (CECM) - Finance to submit evidence of the same to the Auditor General for verification.

APPENDICIES

ANNEX I: MINUTES OF THE COMMITTEE

13TH PARLIAMENT 3RD SESSION

MINUTES OF THE TWO HENDRED AND TWENTIENT SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE REPORTS ON THE SCRUTINY OF THE AUDITOR-GENERAL'S REPORTS ON BURSARY FUNDS IN COUNTIES, HELD ON WEDNESDAY, 6TH NOVEMBER, 2024 AT PRIDE INN HOTEL, MACHAKOS COUNTY AT 9.30 A.M.

PRESENT

1. Sen. Godfrey Atieno Osotsi, MP - **Chairperson**
2. Sen. (Prof.) Tom Odhiambo Ojienda, MP - Vice-Chairperson
3. Sen. William Kipkemoi Kisang, MP - Member
4. Sen. Hamida Kibwana Ali, MP - Member
5. Sen. Maureen Tabitha Mutinda, MP - Member
6. Sen. Miraj Abdillahi Abdulrahman, MP - Member

ABSENT WITH APOLOGY

1. Sen. Ledama Olekina, MP - Member
2. Sen. Paul Karungo Thangwa, MP - Member
3. Sen. Eddy Gicheru Oketch, MP - Member

SECRETARIAT

1. Mr. Yussuf Shimoy - Clerk Assistant I
2. Mr. David Angwenyi - Clerk Assistant I
3. Mr. Erick Njogu - Clerk Assistant II
4. Mr. Godfrey Nyaga - Clerk Assistant III
5. Ms. Zeinab Jirma - Legal counsel
6. CPA. Kennedy Owuoth - Fiscal Analyst
7. Ms. Raisa Mwithi - Researcher
8. Ms. Linet Aseka - Researcher
9. Mr. Martin Mulandi - Researcher
10. Mr. Joseph Otieno - Audio officer
11. Mrs. Julia Gachoki - Serjeant-at-arms

IN ATTENDANCE

A. OFFICE OF THE AUDITOR GENERAL

1. Mr. Mark Gachanja - Liaison Officer

B. OFFICE OF THE CONTROLLER OF BUDGET

1. Ms. Nancy Kendi - Liaison Officer

C. OFFICE OF THE NATIONAL TREASURY

1. Dr. Jackson Ndungu - Liaison Officer

MIN. NO. SEN/CPICSF/10249/2024 PRAYER

The meeting was called to order by the Chairperson at thirty minutes past nine O'clock followed by a word of prayer.

MIN. NO. SEN/CPICSF/10250/2024 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed by Sen. Miraj Abdillahi Abdulrahman, MP and seconded by Sen. (Prof.) Tom Odhiambo Ojienda, MP, as follows –

1. Prayer;
2. Adoption of the Agenda;
3. Consideration of reports on the scrutiny of audited reports of bursary funds in counties;
4. Any Other Business; and
5. Date of the Next Meeting and Adjournment.

MIN. NO. SEN/CPICSF/10251/2024 CONSIDERATION OF THE DRAFT REPORTS OF THE AUDITOR-GENERAL ON VARIOUS BURSARY FUNDS IN COUNTIES

The Committee considered the draft reports on the scrutiny of Auditor-General's reports on financial statements of the under listed bursaries in counties-

NO	BURSARY FUND	COUNTY
1.	Baringo County Education Bursary And Scholarship Fund	Baringo
2.	Bomet County Bursary Fund	Bomet
3.	Bomet County Education Revolving Fund	Bomet
4.	Bungoma County Education Support Scheme	Bungoma
5.	Elgeyo Marakwet County Education Fund	Elgeyo Marakwet
6.	Garissa County Scholarship Fund	Garissa
7.	Homa Bay County Bursary Fund	Homabay
8.	Kajiado County Bursary Grants and Scholarship Fund	Kajiado

9.	Kericho County Bursary Fund	Kericho
10.	Kiambu County Education Bursary Fund	Kiambu
11.	Kilifi Ward Scholarship Fund	Kilifi
12.	Kirinyaga County Education Bursary Fund	Kirinyaga
13.	Kisii County Bursary Fund	Kisii
14.	Kwale County Bursary Fund	Kwale
15.	Laikipia County Bursary Fund	Laikipia
16.	Lamu County Bursary And Scholarship Fund	Lamu
17.	Machakos County Bursary Fund	Machakos
18.	Makueni County Bursary Fund	Makueni
19.	Mandera County Education Bursary Fund	Mandera
20.	Marsabit County Education Fund Migori	Marsabit
21.	County Ward Development Fund	Migori
22.	Mombasa County Elimu Fund	Mombasa
23.	Nakuru County Bursary Fund	Nakuru
24.	Nandi County Education Fund	Nandi
25.	Narok County Bursary Fund	Narok
26.	Nyamira County Education Bursary Fund	Nyamira
27.	Nyandarua County Bursary Fund	Nyandarua
28.	Nyeri County Elimu Fund	Nyeri
29.	Samburu County Bursary Fund	Samburu
30.	Siaya County Education Bursary Fund	Siaya
31.	Taita Taveta County Education Fund	Taita Taveta
32.	Tana River County Ward Bursary Fund	Tana River
33.	Tharaka Nithi County Bursary Development Fund	Tharaka Nithi
34.	Trans Nzoia County Elimu Bursary Fund	Trans Nzoia
35.	Turkana County Education And Skills Development Fund	Turkana
36.	Uasin Gishu County Bursary And Skills Development Support Fund	Uasin Gishu

37.	Uasin Gishu County Education Revolving Fund	Uasin Gishu
38.	Vihiga County Education Fund	Vihiga
39.	Wajir County Bursary Fund	Wajir

The Committee made amendments and directed the secretariat to incorporate the same into the reports and present the aforementioned reports for further considerations in the following day.

MIN. NO. SEN/CPICSF/10252/2024 ANY OTHER BUSINESS

There was no any other business.

MIN. NO. SEN/CPICSF/10253/2024 DATE OF NEXT MEETING & ADJOURNMENT

The Chairperson adjourned the meeting at twenty minutes to two o'clock in the afternoon. The next meeting would be on Wednesday, 6th, November 2024 at 3:00 pm.

2/12/2024

SIGNED: ..... DATE: .....

(CHAIRPERSON: SEN. GODFREY ATIENO OSOTSI, MP.)

13TH PARLIAMENT 3RD SESSION

MINUTES OF THE TWO HUNDRED AND TWENTY SECOND SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE REPORTS ON THE SCRUTINY OF THE AUDITOR-GENERAL'S REPORTS ON BURSARY FUNDS AND HOSPITALS IN COUNTIES HELD ON THURSDAY, 7TH NOVEMBER, 2024 AT PRIDE INN HOTEL, MACHAKOS COUNTY AT 11.00 A.M.

PRESENT

1. Sen. Godfrey Atieno Osotsi, MP - **Chairperson**
2. Sen. (Prof.) Tom Odhiambo Ojienda, MP - Vice-Chairperson
3. Sen. William Kipkemoi Kisang, MP - Member
4. Sen. Maureen Tabitha Mutinda, MP - Member
5. Sen. Miraj Abdillahi Abdulrahman, MP - Member
6. Sen. Hamida Kibwana Ali, MP - Member

ABSENT WITH APOLOGY

1. Sen. Ledama Olekina, MP - Member
2. Sen. Paul Karungo Thangwa, MP - Member
3. Sen. Eddy Gicheru Oketch, MP - Member

SECRETARIAT

1. Mr. Yussuf Shimoy - Clerk Assistant I
2. Mr. David Angwenyi - Clerk Assistant I
3. Mr. Erick Njogu - Clerk Assistant II
4. Mr. Godfrey Nyaga - Clerk Assistant III
5. Ms. Zeinab Jirma - Legal counsel
6. CPA. Kennedy Owuoth - Fiscal Analyst
7. Ms. Raisa Mwithi - Researcher
8. Ms. Linet Aseka - Researcher
9. Mr. Martin Mulandi - Researcher
10. Mr. Joseph Otieno - Audio officer
11. Mrs. Julia Gachoki - Serjeant-at-arms

IN ATTENDANCE

A. OFFICE OF THE AUDITOR GENERAL

1. Mr. Mark Gachanja - Liaison Officer

B. OFFICE OF THE CONTROLLER OF BUDGET

1. Ms. Nancy Kendi - Liaison Officer

C. OFFICE OF THE NATIONAL TREASURY

1. Dr. Jackson Ndungu - Liaison Officer

MIN. NO. SEN/CPICSF/10259/2024 PRAYER

The meeting was called to order by the Chairperson at ten O'clock followed by a word of prayer.

MIN. NO. SEN/CPICSF/10260/2024 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed by Sen. William Kipkemoi Kisang, MP and seconded by Sen. Maureen Tabitha Mutinda, MP, as follows –

1. Prayer;
2. Adoption of the Agenda;
3. Consideration of reports on the scrutiny of audited reports of bursary funds and hospitals in counties;
4. Any Other Business; and
5. Date of the Next Meeting and Adjournment.

MIN. NO. SEN/CPICSF/10261/2024 CONSIDERATION OF THE DRAFT REPORTS OF THE AUDITOR-GENERAL ON BURSARY FUNDS ANDVARIOUS HOSPITALS IN COUNTIES

The Committee considered the draft reports on the scrutiny of Auditor-General's reports on financial statements of bursary funds and hospitals in counties as follows-

A. HOSPITALS

No.	Hospital	County
1.	Kapsabet County Referral Hospital	Nandi
2.	Karatina Sub County Hospital	Nyeri
3.	Kilifi Health Improvement Fund	Kilifi
4.	Kinango Sub-County Hospital	Kwale
5.	Kwale Sub County Hospital	Kwale
6.	Longisa County Referral Hospital	Bomet
7.	Lunga Lunga Sub County Hospital	Kwale
8.	Migori County Level 4 Hospital	Migori
9.	Msambweni Sub-County Hospital	Kwale
10.	Mt. Kenya Sub County Hospital	Nyeri

11.	Mukurweini Sub County Hospital	Nyeri
12.	Othaya Sub County Level 4 Hospital	Nyeri

B. BURSARY FUNDS

NO	BURSARY FUND	COUNTY
1.	Baringo County Education Bursary And Scholarship Fund	Baringo
2.	Bomet County Bursary Fund	Bomet
3.	Bomet County Education Revolving Fund	Bomet
4.	Bungoma County Education Support Scheme	Bungoma
5.	Elgeyo Marakwet County Education Fund	Elgeyo Marakwet
6.	Garissa County Scholarship Fund	Garissa
7.	Homa Bay County Bursary Fund	Homabay
8.	Kajiado County Bursary Grants and Scholarship Fund	Kajiado
9.	Kericho County Bursary Fund	Kericho
10.	Kiambu County Education Bursary Fund	Kiambu
11.	Kilifi Ward Scholarship Fund	Kilifi
12.	Kirinyaga County Education Bursary Fund	Kirinyaga
13.	Kisii County Bursary Fund	Kisii
14.	Kwale County Bursary Fund	Kwale
15.	Laikipia County Bursary Fund	Laikipia
16.	Lamu County Bursary And Scholarship Fund	Lamu
17.	Machakos County Bursary Fund	Machakos
18.	Makueni County Bursary Fund	Makueni
19.	Mandera County Education Bursary Fund	Mandera
20.	Marsabit County Education Fund Migori	Marsabit
21.	County Ward Development Fund	Migori
22.	Mombasa County Elimu Fund	Mombasa
23.	Nakuru County Bursary Fund	Nakuru

24.	Nandi County Education Fund	Nandi
25.	Narok County Bursary Fund	Narok
26.	Nyamira County Education Bursary Fund	Nyamira
27.	Nyandarua County Bursary Fund	Nyandarua
28.	Nyeri County Elimu Fund	Nyeri
29.	Samburu County Bursary Fund	Samburu
30.	Siaya County Education Bursary Fund	Siaya
31.	Taita Taveta County Education Fund	Taita Taveta
32.	Tana River County Ward Bursary Fund	Tana River
33.	Tharaka Nithi County Bursary Development Fund	Tharaka Nithi
34.	Trans Nzoia County Elimu Bursary Fund	Trans Nzoia
35.	Turkana County Education And Skills Development Fund	Turkana
36.	Uasin Gishu County Bursary And Skills Development Support Fund	Uasin Gishu
37.	Uasin Gishu County Education Revolving Fund	Uasin Gishu
38.	Vihiga County Education Fund	Vihiga
39.	Wajir County Bursary Fund	Wajir

The Committee considered the aforementioned reports and resolved to adopt the same at a later date.

MIN. NO. SEN/CPICSF/10262/2024 ANY OTHER BUSINESS

There was no any other business.

MIN. NO. SEN/CPICSF/10263/2024 DATE OF NEXT MEETING & ADJOURNMENT

The Chairperson adjourned the meeting at two o'clock in the afternoon. The next meeting would be called by notice.



2/12/2024

SIGNED: ..... DATE: .....

(CHAIRPERSON: SEN. GODFREY ATIENO OSOTSI, MP.)

13TH PARLIAMENT 3RD SESSION

MINUTES OF THE TWO HUNDRED AND THIRTY FIRST SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONFIRMATION OF MINUTES AND THE ADOPTION OF THE REPORTS, HELD ON MONDAY, 2ND DECEMBER, 2024 AT COMMITTEE ROOM 10, SECOND FLOOR, BUNGE TOWER AT 1.30 P.M.

PRESENT

1. Sen. Godfrey Atieno Osotsi, MP - **Chairperson**
2. Sen. William Kipkemoi Kisang, MP - Member
3. Sen. Eddy Gicheru Oketch, MP - Member
4. Sen. Hamida Kibwana Ali, MP - Member
5. Sen. Miraj Abdillahi Abdulrahman, MP - Member
6. Sen. Maureen Tabitha Mutinda, MP - Member

ABSENT WITH APOLOGY

1. Sen. (Prof.) Tom Odhiambo Ojienda, MP - Vice-Chairperson
2. Sen. Ledama Olekina, MP - Member
3. Sen. Paul Karungo Thangwa, MP - Member

SECRETARIAT

1. Mr. Yussuf Shimoy - Clerk Assistant I
2. Mr. David Angwenyi - Clerk Assistant I
3. Mr. Erick Njogu - Clerk Assistant II
4. Mr. Godfrey Nyaga - Clerk Assistant III
5. Mr. Andrew Nyairo - Legal counsel
6. CPA. Kennedy Owuoth - Fiscal Analyst
7. Ms. Raisa Mwithi - Researcher
8. Ms. Winnie Atieno - Audio officer
9. Mr. Julia Gachoki - Serjeant-at-arms

IN ATTENDANCE

A. OFFICE OF THE AUDITOR GENERAL

1. Mr. Tom Ratemo - OAG
2. Mr. Mark Gachanja - Liaison Officer

B. OFFICE OF THE CONTROLLER OF BUDGET

1. Ms. Constance Wasike - Liaison Officer

C. THE NATIONAL TREASURY

1. Ms. Edith Nkanata - Liaison Officer

MIN. NO. SEN/CPICSF/10310/2024 PRAYER

The meeting was called to order by the Chairperson at thirty minutes past one O'clock in the afternoon followed by a word of prayer.

MIN. NO. SEN/CPICSF/10311/2024 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed by Sen. William Kipkemoi Kisang, MP and seconded by Sen. Maureen Tabitha Mutinda, MP, as follows –

1. Prayer;
2. Adoption of the Agenda;
3. Confirmation of Minutes;
4. Matters arising from the Previous Minutes;
5. Adoption of Reports on Bursary Funds, Hospitals and Municipalities;
6. Any Other Business; and
7. Date of the Next Meeting and Adjournment.

MIN. NO. SEN/CPICSF/10312/2024 CONFIRMATION OF THE MINUTES

The Committee confirmed the following sets of minutes-

i) The Minutes of the Two Hundred and Twentieth Sitting held on Wednesday, 6th November, 2024; were confirmed as a true record of the proceedings and signed by the Chairperson after being proposed by Sen. Maureen Tabitha Mutinda, MP and seconded by Sen. Miraj Abdillahi Abdulrahman, MP.

ii) The Minutes of the Two Hundred and First Sitting held on Wednesday, 6th November, 2024; were confirmed as a true record of the proceedings and signed by the Chairperson after being proposed by Sen. William Kipkemoi Kisang, MP and seconded by Sen. Miraj Abdillahi Abdulrahman, MP.

iii) The Minutes of the Two Hundred and Second Sitting held on Thursday, 7th November, 2024; were confirmed as a true record of the proceedings and signed by the Chairperson after being proposed by Sen. Maureen Tabitha Mutinda, MP and seconded by Sen. William Kipkemoi Kisang, MP.

iv) The Minutes of the Two Hundred and Third Sitting held on Friday, 8th November, 2024; were confirmed as a true record of the proceedings and signed by the Chairperson after being proposed by Sen. Maureen Tabitha Mutinda, MP and seconded by Sen. Miraj Abdillahi Abdulrahman, MP.

MIN. NO. SEN/CPICSF/10313/2024 MATTERS ARISING FROM THE PREVIOUS MINUTES

There was no matter arising from the previous minutes.

MIN. NO. SEN/CPICSF/10314/2024 **ADOPTION OF THE REPORTS OF AUDITOR-GENERAL'S REPORTS ON THE FINANCIAL STATEMENTES ON BURSARY FUNDS, HOSPITALS AND MUNICIPALITIES**

The Committee adopted the following reports on audited financial statements of Bursary Funds, Hospitals and Municipalities in counties having been proposed by Sen. Maureen Tabitha Mutinda, MP and seconded by Sen. Miraj Abdillahi Abdulrahman, MP-

1. Reports of the Select Committee on County Public Investments and Special Funds on The Consideration of the Audit Reports of the following County Bursary Funds for the Financial Year 2019/202, 2020/2021 and 2021/2022

NO.	BURSARY FUND	COUNTY
1.	Baringo County Education Bursary and Scholarship Fund	Baringo
2.	Bomet County Bursary Fund	Bomet
3.	Bomet County Education Revolving Fund	Bomet
4.	Bungoma County Education Support Scheme	Bungoma
5.	Elgeyo Marakwet County Education Fund	Elgeyo Marakwet
6.	Garissa County Scholarship Fund	Garissa
7.	Homa Bay County Bursary Fund	Homabay
8.	Kajiado County Bursary Grants and Scholarship Fund	Kajiado
9.	Kericho County Bursary Fund	Kericho
10.	Kiambu County Education Bursary Fund	Kiambu
11.	Kilifi Ward Scholarship Fund	Kilifi
12.	Kirinyaga County Education Bursary Fund	Kirinyaga
13.	Kisii County Bursary Fund	Kisii
14.	Kwale County Bursary Fund	Kwale
15.	Laikipia County Bursary Fund	Laikipia
16.	Lamu County Bursary and Scholarship Fund	Lamu
17.	Machakos County Bursary Fund	Machakos
18.	Makueni County Bursary Fund	Makueni

19.	Mandera County Education Bursary Fund	Mandera
20.	Marsabit County Education Fund Migori	Marsabit
21.	County Ward Development Fund	Migori
22.	Mombasa County Elimu Fund	Mombasa
23.	Nakuru County Bursary Fund	Nakuru
24.	Nandi County Education Fund	Nandi
25.	Narok County Bursary Fund	Narok
26.	Nyamira County Education Bursary Fund	Nyamira
27.	Nyandarua County Bursary Fund	Nyandarua
28.	Nyeri County Elimu Fund	Nyeri
29.	Samburu County Bursary Fund	Samburu
30.	Siaya County Education Bursary Fund	Siaya
31.	Taita Taveta County Education Fund	Taita Taveta
32.	Tana River County Ward Bursary Fund	Tana River
33.	Tharaka Nithi County Bursary Development Fund	Tharaka Nithi
34.	Trans Nzoia County Elimu Bursary Fund	Trans Nzoia
35.	Turkana County Education and Skills Development Fund	Turkana
36.	Uasin Gishu County Bursary and Skills Development Support Fund	Uasin Gishu
37.	Uasin Gishu County Education Revolving Fund	Uasin Gishu
38.	Vihiga County Education Fund	Vihiga
39.	Wajir County Bursary Fund	Wajir
40.	West Pokot County Bursary Fund	West Pokot

2. Report of the Select Committee on County Public Investments and Special Funds on the Consideration of the Audit Reports of the following County Hospitals for the Financial Year 2021/2022.

NO.	HOSPITAL	COUNTY
1.	Kapsabet County Referral Hospital	Nandi
2.	Karatina Sub County Hospital	Nyeri
3.	Kilifi Health Improvement Fund	Kilifi
4.	Kinango Sub-County Hospital	Kwale
5.	Kwale Sub County Hospital	Kwale
6.	Longisa County Referral Hospital	Bomet
7.	Lunga Lunga Sub County Hospital	Kwale
8.	Migori County Level 4 Hospital	Migori

9.	Msambweni Sub-County Hospital	Kwale
10.	Mt. Kenya Sub County Hospital	Nyeri
11.	Mukurweini Sub County Hospital	Nyeri
12.	Othaya Sub County Level 4 Hospital	Nyeri

3. Reports of the Select Committee on County Public Investments and Special Funds on the Consideration of the Audit Reports of the following Municipalities for Financial Years 2020/2021, 2021/2022 and 2022/2023.

a. Financial Year 2020/2021

NO.	MUNICIPALITY	COUNTY
1.	Eldoret Municipality	Uasin Gishu
2.	Kisii Municipality	Kisii
3.	Kitale Municipality	Trans Nzoia
4.	Lamu Municipality	Lamu
5.	Mwatate Municipality	Taita Taveta
6.	Rumuruti Municipality	Laikipia

b. Financial Year 2021/2022

NO.	MUNICIPALITY	COUNTY
1.	Eldoret Municipality	Uasin Gishu
2.	Kakamega Municipality	Kakamega
3.	Kisii Municipality	Kisii
4.	Kitale Municipality	Trans Nzoia
5.	Lamu Municipality	Lamu
6	Migori Municipality	Migori
7	Mumias Municipality	Kakamega
8	Muranga Municipality	Muranga
9	Mwatate Municipality	Taita Taveta
10	Rongo Municipality	Migori
11	Rumuruti Municipality	Laikipia

c. Financial Year 2022/2023

NO.	**MUNICIPALITY**	**COUNTY**
1.	Eldoret Municipality	Uasin Gishu

2.	Kakamega Municipality	Kakamega
3.	Kitale Municipality	Trans Nzoia
4.	Migori Municipality	Migori
5.	Mumias Municipality	Kakamega
6.	Muranga Municipality	Muranga
7.	Rongo Municipality	Migori
8.	Rumuruti Municipality	Laikipia

MIN. NO. SEN/CPICSF/10315/2024 ANY OTHER BUSINESS

There was no any other business.

MIN. NO. SEN/CPICSF/10316/2024 DATE OF NEXT MEETING & ADJOURNMENT

The Chairperson adjourned the meeting at fifteen minutes to two o'clock in the afternoon. The next meeting would be on Thursday, 5th, December 2024 at 9:00 am.

SIGNED: ..... DATE: 2/12/2024

(CHAIRPERSON: SEN. GODFREY ATIENO OSOTSI, MP.)