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REPORT

OF

THE AUDITOR-GENERAL

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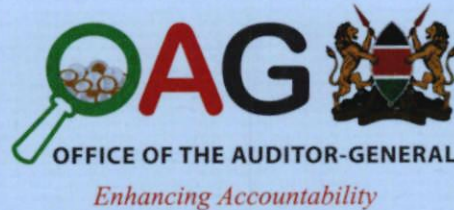
**KERICHO COUNTY AGRICULTURAL
DEVELOPMENT FUND**

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

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

REPUBLIC OF KENYA

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Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KERICHO COUNTY AGRICULTURAL DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Kericho County Agricultural Development Fund set out on pages 6 to 8, which comprise the statement of receipts and payments and statement of financial assets as at 30 June, 2019 and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

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

Basis for Disclaimer of Opinion

1. Presentation of Financial Statements

A review of the financial statements for the year ended 30 June, 2019 the following observations were made: -

- i. The cover page is indicated as being quarterly report and financial statements instead of annual report and financial statements.
- ii. The statements of receipts and payments and statement of financial assets were presented per quarter instead of annual figures. Comparative figures were also not included.
- iii. Financial statements prepared on cash basis as opposed to accrual basis of accounting.
- iv. The following statements and reports were not prepared and included in the financial statements:

- The statement of changes in net assets
- Statement cash flows
- Statement of comparison of budget and actual amounts
- A summary of significant accounting policies was also not included
- Statement of performance against County Entity's predetermined objectives
- Key Entity Information and Management
- Report of the Fund Administrator
- Board chair report
- Corporate governance statement
- Corporate social responsibility statement/sustainability reporting
- Report of the Trustees
- Statement of Management's responsibilities

Consequently, the financial statements do not conform to the reporting requirements prescribed by the Public Sector Accounting Standards Board reporting template for the year ended 30 June, 2019.

2. Cash and Cash Equivalents

The statement of financial assets reflected the cumulative bank balance of Kshs.19,440,337 as at 30 June, 2019. However, the cash book provided for audit review showed a closing balance of Kshs.16,788,836 and thus an unexplained variance of Kshs.2,651,501. The confirmation certificate was also not provided for audit verification.

Under the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.19,440,337 as at 30 June, 2019 could not be confirmed.

3. Use of Goods and Services

The statement of receipts and payments reflects use of goods and services and other payments of Kshs.1,940,021 and Kshs.3,250 respectively. However, the ledgers and schedules provided for audit view had Kshs.4,996,570 and Kshs.6,850 respectively. The payments were also not approved as there was no Chief Executive Officer who is the Accounting Officer as per Section 15(1) of the Kericho County Agricultural Development Fund Act, 2017.

Therefore, the accuracy, propriety and validity of the use of goods and services figure Kshs.1,940,021 and other payments figures of Kshs.3,250 could not be confirmed for the year ended 30 June, 2019.

4. Unconfirmed Opening Fund Balances

The financial statements presented for audit review were for the year ended 30 June, 2019. However, the fund has been in existence since 8 June, 2017 when the enabling Act commenced and the financial statements for previous periods were not

prepared and presented for audit as per Section 164(4) of the Public Finance Management Act, 2012.

Under the circumstances, it was not possible to confirm the Fund's opening balance of Kshs.21,383,509 as shown in the statement of financial assets.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Disclaimer of Opinion sections of my report, based on the audit procedures performed, I confirm that Public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Lack of Board of Trustees and Chief Executive Officer

The Kericho County Agricultural Development Fund Act, 2017 Section 6(1) requires the formation of the Board of Trustees and the Chief Accounting Officer to oversee the operations of the Fund. There was no evidence provided for audit review to confirm that the board of trustees and Chief Accounting Officer had been established.

2. Late Submission of Financial Statements

The financial statements for the year ended 30 June, 2019 were submitted and received by the office of the Auditor General on 18 November, 2019. This was contrary to Section 164(4) of the Public Finance Management Act, 2012 deadline of 30 September, 2019.

3. Project Proposals and Implementation Status

The Kericho County Agricultural Development Fund Act Section 18(1) requires the Fund to maintain a record of project proposals for funding and a list of project implementation status as at the end of each financial year. However, the said documents were not provided for audit review.

4. Lack of Approved Budget and Annual Work Plan

According to the Kericho county Agricultural Development Fund Act 2017 Section 9(1)(g), the functions of the board shall be to approve annual work plan and budget of the Fund. However, the approved Fund budget and work plans were not provided for audit review

4.1 Works at Kaptembwo Tea Buying Centre

The Fund spent an amount of Kshs.632,113 for the completion of Kaptembwo Tea Buying Centre in the period under review. However, upon physical verification in December, 2019, it was observed that slabs on the tea inspection tables had started falling off while the plastering of the floor was not done. The contract price had been fully paid as advised by the inspection and acceptance committee and the contractor was not on site. The value for money spent may not have been realized.

4.2 Works at Kaborus Tea Buying Centre

The Fund had spent Kshs.823,400 on the construction of Kaborus Tea Buying Centre in period under review. The bills of quantities had a provision for tea inspection tables at a cost of Kshs.103,900. However, the tables though paid for were yet to be constructed as at the time of audit inspection in December, 2019.

The value for money spent may not have been realized.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities

that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Funds ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective manner.

Those charged with governance are responsible for overseeing Fund's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial

statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution.

However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of the Kericho County Agricultural Development Fund in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.


CPA Nancy Gathungu CBS
AUDITOR-GENERAL

Nairobi

18 January, 2022

COUNTY GOVERNMENT OF KERICHO
Special Funds Reports and Financial Statements
For the Quarter ended 30th Jun, 2019



COUNTY GOVERNMENT OF KERICHO
QUARTERLY REPORT AND FINANCIAL STATEMENTS
KERICHO COUNTY AGRICULTURAL DEVELOPMENT
FOR THE PERIOD ENDED
30.6.2019

Prepared in accordance with the Cash Basis of Accounting Method under the International Public-Sector Accounting Standards (IPSAS)

COUNTY GOVERNMENT OF KERICHO
Special Funds Reports and Financial Statements
For the Quarter ended 30th Jun, 2019

LEGAL BACKDROP

As set out in Section 166 of the Public Finance Management Act, 2012, an Accounting Officer is required to prepare quarterly reports for County Government entity as follows;

(1) An accounting officer for a county government entity shall prepare a report for each quarter of the financial year in respect of the entity.

(2) In preparing a quarterly report for a county government entity, the accounting officer shall ensure that the report—

(a) Contains information on the financial and non-financial performance of the entity; and

(b) Is in a form determined by the Accounting Standards Board.

(3) Not later than fifteen days after the end of each quarter, the accounting officer shall submit the quarterly report to the County Treasury.

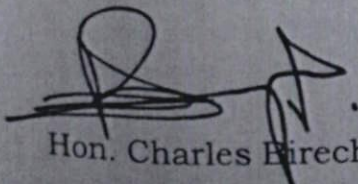
COUNTY GOVERNMENT OF KERICHO
Special Funds Reports and Financial Statements
For the Quarter ended 30th Jun, 2019

III. FOREWORD

This is the County Government of Kericho Quarterly Financial Report for the 4TH Quarter 2018-2019 financial period for the Kericho County Agricultural Development Special Fund. This report was prepared and presented as required by Section 168 of the *Public Financial Management (PFM) Act 2012*. The report expounds on expenditure incurred in relation to Agricultural Development.

The guiding legislation is the *Kericho County Agriculture Development Fund Act, 2017* which commenced on 8th June, 2017. The Fund Administrator is the board of trustees and its primary purpose is to support strategic farming interventions with high potential for enhancing productivity, value addition, quality improvements and marketing.

The challenges faced during the period under review were there is composition of board of trustees as per the Act, delayed funding to the Fund by the county assembly per the Act and no regulations to the Act. The County Government will endeavour to engage target groups to ensure sensitization on matters related to the Act and implementation of the Act.



Hon. Charles Birech

**County Executive Committee Member- Finance and Economic Planning and
Head of County Treasury**

COUNTY GOVERNMENT OF KERICHU
 Special Funds Reports and Financial Statements
 For the Quarter ended 30th Jun, 2019

KERICHO COUNTY AGRICULTURAL DEVELOPMENT FUND

2. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	Sep (Q1)	Dec (Q2)	Mar (Q3)	June (Q4)	Cumulative Amount
		Kshs	Kshs	Kshs	Kshs	Kshs
RECEIPTS						
Unspent funds/balance b/f	2	21,383,509.00	21,383,509.00	21,383,509.00	21,383,609.00	21,383,509.00
Deposits from the Clients	1	0.00	0.00	100.00	0.00	100.00
TOTAL RECEIPTS		21,383,509.00	21,383,509.00	21,383,609.00	21,383,609.00	21,383,609.00
PAYMENTS						
Use of goods and services	3		0.00		1,940,021.55	1,940,021.55
Acquisition of Assets						0.00
Other Payments (Bank Charges)	4		0.00		3,250.00	3,250.00
TOTAL PAYMENTS		0.00	0.00	0.00	1,943,271.55	1,943,271.55
SURPLUS/DEFICIT		21,383,509.00	21,383,509.00	21,383,609.00	19,440,337.45	19,440,337.45

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 02.08.2019 and signed by :

Bernard Kirui
 Fund Administrator: Bernard Kirui
 Chief Officer Agriculture, Livestock and Fisheries

Fernandes K Korir
 CPA. Fernandes K Korir
 Head of Accounting Unit

CHIEF OFFICER
 Agriculture, Livestock, Fisheries
 COUNTY GOVERNMENT OF KERICHU
 02 SEP 2019
 P. O. Box 112 - 20200, KERICHU

