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REPUBLIC OF KENYA

04 DEC 2024
CLERK'S OFFICE
SENATE

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 2019/2020 (1st JULY, 2019 TO 30th JUNE, 2020):

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

APPROVED
RT. HON. SEN
AMASON J. KINGI

04/12/24

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

VOLUME XI

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

November, 2024

TABLE OF CONTENTS

Table of Contents i
Acronyms/Abbreviations iii
Definition of Terms iv
Executive Summary viii
General Observations xiii
Acknowledgements xvii
Chapter One: Baringo County Education Bursary and Scholarship Fund 1
Chapter Two: Bomet County Bursary Fund 11
Chapter Three: Bomet County Education Revolving Fund 18
Chapter Four: Bungoma County Education Support Scheme 22
Chapter Five: Elgeyo Marakwet County Education Fund 28
Chapter Six: Garissa County Scholarship Fund 34
Chapter Seven: Homa Bay County Bursary Fund 39
Chapter Eight: Kajiado County Bursary Grants and Scholarship Funds 43
Chapter Nine: Kericho County Bursary Fund 49
Chapter Ten: Kiambu County Education Bursary Fund 53
Chapter Eleven: Kilifi Ward Scholarship Fund 61
Chapter Twelve: Kirinyaga County Education Bursary Fund 65
Chapter Thirteen: Kisii County Bursary Fund 72
Chapter Fourteen: Kwale County Bursary Fund 78
Chapter Fifteen: Laikipia County Bursary Fund 80
Chapter Sixteen: Lamu County Bursary And Scholarship Fund 83
Chapter Seventeen: Machakos County Bursary Fund 89
Chapter Eighteen: Mandera County Education Bursary Fund 96
Chapter Nineteen: Marsabit County Education Fund 108
Chapter Twenty: Migori County Ward Development Fund 115
Chapter Twenty One: Mombasa County Elimu Fund 122
Chapter Twenty Two: Nakuru County Bursary Fund 126
Chapter Twenty Three: Nandi County Education Fund 134
Chapter Twenty Four: Nyamira County Education Bursary Fund 139
Chapter Twenty Five: Nyandarua County Bursary Fund 145
Chapter Twenty Six: Nyeri County Elimu Fund 151
Chapter Twenty Seven: Samburu County Bursary Fund 156
Chapter Twenty Eight: Siaya County Education Bursary Fund 164
Chapter Twenty Nine: Taita Taveta County Education Fund 176

Chapter Thirty: Tana River County Ward Bursary Fund 181
Chapter Thirty One: Tharaka Nithi County Bursary Development Fund 193
Chapter Thirty Two: Trans Nzoia County Elimu Bursary Fund 199
Chapter Thirty Three: Turkana County Education and Skills Development Fund 203
Chapter Thirty Four: Uasin Gishu County Bursary and Skills Development Support Fund 212
Chapter Thirty Five: Uasin Gishu County Education Revolving Fund 218
Chapter Thirty Six: Vihiga County Education Fund 230
Chapter Thirty Seven: Wajir County Bursary Fund 237
Appendicies 245
Annex I: Minutes of the Committee 246

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 2019/2020 (1st July, 2019 to 30th June, 2020) 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 2019/2020.

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 2019/20 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 2019/20 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 2019/20 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 2019/20 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 2019/20 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 2019/20 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 2019/20 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 2019/20 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 2019/20 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 2019/20 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 2019/20 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 2019/20 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 2019/20 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 2019/20 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 2019/20 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 2019/20 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 2019/20 and observations and recommendations of the Committee on each audit query.

CHAPTER EIGHTEEN is a record of the audit queries raised in the report of the Auditor-General for Mandera County Education Bursary Fund for the Financial Year 2019/20 and observations and recommendations of the Committee on each audit query.

CHAPTER NINETEEN is a record of the audit queries raised in the report of the Auditor-General for Marsabit County Education Fund for the Financial Year 2019/20 and observations and recommendations of the Committee on each audit query.

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 2019/20 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 2019/20 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 2019/20 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 2019/20 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 Nyamira County Education Bursary Fund for the Financial Year 2019/20 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 Nyandarua County Bursary Fund for the Financial Year 2019/20 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 Nyeri County Elimu Fund for the Financial Year 2019/20 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 Samburu County Bursary Fund for the Financial Year 2019/20 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 Siaya County Education Bursary Fund for the Financial Year 2019/20 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 Taita Taveta County Education Fund for the Financial Year 2019/20 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 Tana River County Ward Bursary Fund for the Financial Year 2019/20 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 Tharaka Nithi County Bursary Development Fund for the Financial Year 2019/20 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 Trans Nzoia County Elimu Bursary Fund for the Financial Year 2019/20 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 Turkana County Education And Skills Development Fund for the Financial Year 2019/20 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 Uasin Gishu County Bursary And Skills Development Support Fund for the Financial Year 2019/20 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 Education Revolving Fund for the Financial Year 2019/20 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 Vihiga County Education Fund for the Financial Year 2019/20 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 Wajir County Bursary Fund for the Financial Year 2019/20 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.

ACKNOWLEDGEMENTS

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

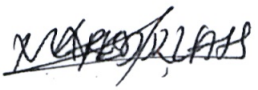
ADOPTION OF THE REPORT OF THE SENATE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF THIRTY-SEVEN COUNTY BURSARY FUNDS FOR THE FINANCIAL YEAR 2019/2020

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 COUNTY EDUCATION FUND	NANDI

24.	NYAMIRA COUNTY EDUCATION BURSARY FUND	NYAMIRA
25.	NYANDARUA COUNTY BURSARY FUND	NYANDARUA
26.	NYERI COUNTY ELIMU FUND	NYERI
27.	SAMBURU COUNTY BURSARY FUND	SAMBURU
28.	SIAYA COUNTY EDUCATION BURSARY FUND	SIAYA
29.	TAITA TAVETA COUNTY EDUCATION FUND	TAITA TAVETA
30.	TANA RIVER COUNTY WARD BURSARY FUND	TANA RIVER
31.	THARAKA NITHI COUNTY BURSARY DEVELOPMENT FUND	THARAKA NITHI
32.	TRANS NZOIA COUNTY ELIMU BURSARY FUND	TRANS NZOIA
33.	TURKANA COUNTY EDUCATION AND SKILLS DEVELOPMENT FUND	TURKANA
34.	UASIN GISHU COUNTY BURSARY AND SKILLS DEVELOPMENT SUPPORT FUND	UASIN GISHU
35.	UASIN GISHU COUNTY EDUCATION REVOLVING FUND	UASIN GISHU
36.	VIHIGA COUNTY EDUCATION FUND	VIHIGA
37.	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 2019/2020

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 2019/2020. 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. Presentation Errors in the Annual Report and Financial Statements

The annual reports and financial statements prepared and presented for audit had the various presentation errors. Consequently, the financial statements as presented do not comply with International Public Sector Accounting Standard No.1 on presentation of financial statements and the Public Sector Accounting Standards Board Kenya guidelines and format.

Management Response

The annual reports and the financial statements were revised to comply with the International Public Sector Accounting Standard Board Kenya guidelines and format

Committee Observations

The Committee observed that the financial statements did not comply with the International Public Sector Accounting Standards format but were rec=vised to comply with the format.

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 recruit personnel with requisite qualifications where necessary and 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 Financial Statements

The financial statements for year ended 30 June, 2020 prepared and presented for audit had the following inaccuracies;

i. The statements of financial performance reflect cash balance brought forward of Kshs. 2,813,459. However, this disclosure is not in line with the International Accounting Standards No. 1 on presentation of the financial statements which requires opening balances to be reflected in the statement of financial position and not in the statement of financial performance;

ii. The statements of Financial performance reflect surplus for the period of Kshs. 3,079,353 whereas the statement of financial position reflects Kshs. 265,894 resulting to an unexplained variance of Kshs. 2,813,459;

iii. The statement of financial position reflects surplus for the year of Kshs. 265,894 while the statement of changes in net assets reflects nil balance;

iv. The statement of changes in net assets reflects revolving fund and revaluation reserves of Kshs. 30,000 and Kshs.120 respectively which are unsupported by schedules and are not reflected in the statement of financial position;

v. The statement of comparison of budget and actual amount reflects surplus/deficit under final budget columns of Kshs. 25,029,333 while re-casting revealed Kshs. 2,813,459 resulting to an unexplained variance of Kshs. 22,215,874;

vi. The statement of comparison of budget and actual amount reflects surplus/deficit under actual on comparable basis columns of Kshs. 24,793,559 while casting revealed Kshs. 3,079,353 resulting to an unexplained variance of Kshs. 21,714,206; and

vii. Report of the fund administrator on page 7 reflects total budget allocation of Kshs. 30,000,000 while the statements of comparison of budget and actual amount on page 15 reflects final revenue budget of Kshs. 27,842,792 resulting to an unexplained variance of Kshs. 2,157,208.

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

Management Response

The financial statements for the year ended 30th June 2020 amended and presented as follows: -

i. The statements of financial performance reflect cash balance brought forward of Kshs. 2,813,459. However, this disclosure was amended in line with the International Accounting Standards No.1 on presentation of the financial statements which requires opening balances to be reflected in the statement of financial position and not in the statement of financial performance.

ii. The statements of financial performance erroneously reflected an accumulated surplus/deficit for the period of Kshs. 3,079,353 whereas the statements of financial position reflected Kshs. 265,894 which was only the surplus/deficit for the period under review. Therefore, the statements of financial position were supposed to have been adjusted to reflect the accumulated surplus/deficit as Kshs 3,079,353 being the previous year (FY 2018/2019) accumulated surplus/deficit of Kshs. 2,813,459 added to current year surplus/deficit of Kshs 265,894.

iii. The statements of financial position reflected Kshs 265,894 which was supposed to have been adjusted to reflect the accumulated surplus/deficit as Kshs 3,079,353 as same as the balance in the statement of changes in net assets

iv. The statement of changes in net assets erroneously reflected Kshs 30,000 revolving fund and revaluation other income of Kshs.120. However, this would have been reflected as Reversed cheques Kshs 30,000 and Interest earned of Kshs 120 as revenue in the statement of financial performance;

v. The statement of comparison of budget and actual amount erroneously reflected surplus/deficit under final budget columns of Kshs. 25,029,333 (Being total Income inclusive of the accumulated surplus/deficit brought forward from the previous financial year of Kshs 2,813,459, hence, Kshs. 2,813,459 (Being the accumulated surplus/deficit as at end of the previous period) should have been reflected under the final budget columns.

vi. The statement of comparison of budget and actual amount erroneously reflected surplus/deficit under final budget columns of Kshs. 24,793,559 (Being total expenditure inclusive of the accumulated surplus/deficit brought forward from the previous financial year of Kshs 2,813,459, hence, Kshs. 3,079,353 (Being the accumulated surplus/deficit as at end of the period under review) should have been reflected under the final budget columns.

vii. Reports of fund administrator on page 7 reflected total budget allocation of Kshs. 30,000,000 which was subsequently supposed to have reflected the same in the statement of Comparison of budget and actual amount on page 15.

Committee Observations

The Committee observed that three were posting errors in financial statement that caused errors in the financial reports. These errors were corrected and the reports prepared according to the guidelines by 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 recruit personnel with requisite qualifications where necessary and 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 Cash and Cash Equivalents

As disclosed in Note 3 to the financial statements, the statement of financial position reflects cash and cash equivalents of Kshs. 3,079,353. However, the reported balance differed with the cashbook balance of Kshs. 2,394,353 resulting to an unexplained and unreconciled variance of Kshs. 685,000. Further, relevant bank statements were not provided to confirm subsequent clearance of un-presented cheques amounting to Kshs. 821,500. This contravenes Section 90(3) of the Public Finance Management (County Governments) Regulations, 2015 which states that Accounting Officers shall ensure any discrepancies noted during bank reconciliation exercise, are investigated immediately and appropriate action taken including updating the relevant cash books.

ln addition, the bank reconciliation statements reflected balance as per the bank statements of Kshs. 3,215,853 while the certificate of bank balance indicated a balance of Kshs. 3,876,853 resulting to an unreconciled and an unexplained variance of Kshs. 661,000.

Under the circumstances, the accuracy and completeness of reported cash and bank balance of Kshs. 3.079,353 as at June, 2020 could not be confirmed.

Management Response

The statement of financial position reflected Cash and Cash Equivalents of Kshs. 3,079,353 as well as the Cash Book. The bank statements were available, the bank reconciliation statement reflected the balance as per bank statement of Kshs 3,876,853 as per the certificate of the bank balance as at 30th June, 2020.

Committee Observations

The Committee observed that the Fund management had not reconciled the cashbook and the bank balances resulting into variances of Kshs. 685,000, Kshs. 821,500 and Kshs 661,000.

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.

4. Unaccounted for Award of Bursary Fund

As disclosed under Note 2 to the financial statements, the statement of financial performance reflects payments totalling to Kshs. 24,793,559. lncluded under payments is award of the bursary fund to the needy/ beneficiaries of Kshs. 23,932,194. However, the schedule provided for audit had an amount of Kshs. 22,311,000 resulting to an unexplained variance of Kshs. 1,621,194. Further, analysis of bursary disbursements schedule revealed thirty-two (32) students without admission numbers were issued with bursaries$ amounting to Kshs. 286,811. ln addition, analysis of the cashbook revealed payments of Kshs. 3,996,200 that were not recorded in the schedule for award of bursaries. Also, payments of Kshs. 2,328,404 in bursary schedules were not posted in the cashbook.

Under the circumstances, the accuracy and completeness of award of the bursary fund to the needy/ beneficiaries of Kshs. 23,932,194 for the year ended 30 June, 2020 could not be confirmed

Management Response

The statement of financial performance reflects payments of Kshs. 24,793,559 (2019 – Kshs. 33,557,460) as disclosed under note 2 (correctly numbered 2) to the financial statements. Included under payments is award of the bursary fund to the needy/ beneficiaries of Kshs. 23,932,194 (included are beneficiaries of the previous period – Cheques presented) while the schedule amount is Kshs. 22,311,000 (new beneficiaries). Analysis of bursary disbursements schedule revealed thirty-two (32) students without admission numbers were issued with Kshs. 286,811. In addition, analysis of the cashbook revealed payments of Kshs. 3,996,200 (emergency and previous beneficiaries) that were not recorded in the schedule for award of bursaries. Also payments of Kshs. 2,328,404 in bursary schedules were not posted in the cashbook.

Committee Observations

The Committee observed that—

i. bursary disbursement of Kshs. 23,932,194 included beneficiaries of the previous financial year whereas disbursement of Kshs. 22,311,000 were beneficiaries of the year under review.

ii. Management provided disbursement schedules to show bursary disbursements.

Committee Recommendations

The Committee recommends that—

i. **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;**

ii. **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**

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 in the subsequent audit cycle.**

5. Variances in Financial Statements Balances and Supporting Schedules

As disclosed under Note 2 to the financial statements, the statement of financial performance reflects payments totalling to Kshs. 24,793,559. lncluded under payments is domestic travel and subsistence allowances of Kshs. 845,945. However, the schedule provided reflects Kshs. 707,825 resulting to an unexplained and unreconciled variance of Kshs. 138,120. Under the circumstances, the accuracy and completeness of domestic travel and subsistence allowances of Kshs. 845,945 for the year ended 30 June, 2020 could not be confirmed.

Management Response

The payments as domestic travel and subsistence allowances of Kshs. 845,945 were same as reflected in the schedule.

Committee Observations

The Committee observed that the payment for domestic travel and subsistence allowance was Kshs. 845,945 and management provided supporting schedules to show the same.

Committee Recommendations

The Committee recommends that—

i. **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;**

ii. **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**

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 in the subsequent audit cycle.**

6. Unsupported Administration Costs

As disclosed under Note 2 to the financial statements, the statement of financial performance reflects payments totalling to Kshs. 24,793,559. lncluded under payments is domestic travel and subsistence allowances of Kshs. 845,945 and other operating expenses (bank charges/tax deducted) of Kshs. 15,420, all totalling to Kshs. 861,365 both being administration cost. The amount exceeds Kshs. 835,284 being 3% of the final budget of Kshs. 27,842,792 reflected in the statement of comparison of budget and actual mounts by Kshs. 26,081. This was contrary to Section 16(5) of the Public Finance Management (Baringo County Bursary and Scholarship Fund) Regulations, 2018. The payments were described as office operations and committee allowances without indicating the members, the rates paid, the sittings held and were wrongly classified as domestic travel.

ln addition, the amounts were not supported by payment vouchers contrary to Section 99 (3) of the Public Finance Management (County Government) Regulations, 2015, which requires every entry in the accounts to be supported by a voucher or other approved document as gazetted by the Cabinet Secretary containing the full details, clear narrations and particulars of the item or items to which it relates.

Under the circumstances, the validity and accuracy of payments of Kshs. 861,365 for the year ended 30 June, 2020 could not be confirmed.

Management Response

It was true that payments for domestic travel and subsistence allowances were Kshs. 845,945 and other operating expenses (bank charges/tax deducted) Kshs. 15,420 respectively totalling Kshs. 861,365 both being administration cost. The amount didn't exceed Kshs. 900,000 being 3% of the final budget of Kshs. 30,000,000 though Kshs. 27,872,912 was erroneously reflected in the statement of comparison of budget and actual amounts. The Kshs. 861,365 was done in compliance with section 16(5) of the Public Finance Management (Baringo County Education Bursary and Scholarship Fund) Regulations, 2018. In addition, the amounts were supported by payment vouchers as per section 99 (3) of the Public Finance Management (County Government) Regulations 2015.

Committee Observations

The Committee observed that—

i. The final budget for the Fund was Kshs. 30,000,000 and not Kshs. 27,872,912 which was erroneously captured. This implies that the expenditure of Kshs. 861,365 was not above the 3% limit as set by law.
ii. The expenditure of Kshs. 861,365 was supported by payment vouchers that were attached for verification.

Committee Recommendations

The Committee recommends that—

i. **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;**
ii. **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**
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 in the subsequent audit cycle.**

OTHER MATTER

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final budget of Kshs. 27,842,792 and actual on comparable basis of Kshs. 27,872,912. However, the approved budget for the Fund was not provided for audit. This contravenes Section 16(1) of the Public Finance Management (Baringo County Bursary and Scholarship Fund) Regulations, 2018 which states that the County Executive Committee Member for education shall for each financial year budget funds for bursary and scholarship which allocation shall be approved by the County Assembly.

Management Response

The statement of comparison of budget and actual amounts erroneously reflected the final budget as Kshs. 27,872,912 instead of the approved budget of Kshs. 30,000,000 as per Section 16(1) of the Public Finance Management (Baringo County Bursary and Scholarship Fund) Regulations, 2018

Committee Observations

The Committee observed that the final budget was erroneously reflected as Kshs. 27,872,912 instead of Kshs. 30,000,000.

Committee Recommendations

The Committee recommends that—

i. **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**

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 TWO

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BOMET COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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-

1. Unexplained variance for transfers to the county government

The statement of comparison of budget and actual amounts reflects transfer from County Government of Kshs. 21,094,013 while the statement of financial performance reflects a transfer of Kshs. 20,434,107 resulting to unreconciled variance of Ksh. 659,906.

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

Management Response

Hon Chair, it is true that the fund received Kshs. 20,434,107 and disbursed Ksh. 21,094,013 during the financial year. The discrepancies between statement of comparison of budget and actual amounts and the statement of financial performance has been corrected accordingly. An extract of corrected statement of comparison and actual amounts has been availed for audit verification and hereby attached for review.

Committee Observations

The Committee observed that the management submitted amended financial statements which reflected the correct balance in respect of transfers from the County Government.

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. Unsupported Expenditure for Bursary Support Services

The statement of financial performance for the year ended 30 June 2020 and Note. 6 to the financial statements reflects bursary support services of Kshs. 19,401,338. However, the list of beneficiaries provided did not indicate admission/ registration numbers of the beneficiaries.

In the circumstances, the propriety and validity of the expenditure of Kshs. 19,401,338 on bursary support services for the year ended 30 June 2020 could not be confirmed.

Management Response

Hon chair, the admission/ registration numbers of the beneficiaries were presented for the full bursary continuing students in the schedules availed during audit. For the case of form one full bursary beneficiaries 2020 intake, the award was given at the time just before being admitted in secondary school, so the beneficiaries didn't have admission numbers at the time. The admission numbers of the beneficiaries have subsequently been captured and is attached.

Committee Observations

The Committee observed that—

i. whereas the schedules to support bursary disbursements amounting to Kshs.10,682,612 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 failed to provide a schedule indicating admission/ registration numbers of the beneficiaries to support the remaining bursary disbursements amounting to Kshs. 8,718,726 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; 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 line 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 receipts budget and actuals on comparable basis totaling to Kshs. 61,496,660 and Kshs. 21,094,013

respectively, resulting to an underfunding amounting to Kshs. 40,402,647 or 66% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totaling to Kshs. 61,496,660 and Kshs. 21,094,013 respectively, resulting under expenditure of Kshs. 40,402,647 or 66% 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 late disbursements of exchequer releases from the national treasury. The disbursements could not be done henceforth when it was later released since all schools were closed due to Covid 19 pandemic.

Committee Observations

The Committee observed that the Fund had an underfunding and an under-expenditure of Kshs. 40,402,647 or 66% of the budget during the financial year under review, as a result of late exchequer releases and school closures due to Covid-19.

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.**

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 –

Non-compliance of prescribed format

The annual reports and the financial statements prepared and presented for audit had the following anomalies:

i. The statement of management responsibilities at page xvi paragraph 2 indicates financial year ended on 30 June, 2019 instead of 30 June, 2020
ii. The statement of changes in net assets indicates balance as at 1 July 2017 and 30 June, 2018 instead of 1 July, 2018 and 30 June 2019
iii. The statement of changes in net assets reflects balance as at 30 June, 2019 and balance as at 30 June, 2020 of Kshs. 1,347,876 and Kshs. 2,404,779, respectively. However, casting errors were noted resulting to correct balances of Kshs. 2,404,779 and Kshs. 1,744,873 for 2018/2019 and 2019/2020 financial years respectively.
iv. The statement pf cash flows reflect net increase in cash and cash equivalents balance of Kshs. 659,906 instead of negative of Kshs. 659,906
v. The statement of financial performance reflects comparative balances for bursary support services and administration expenses amounting to Kshs. 52,453,206 and Kshs. 1,572,800, respectively. However, note 6 and 8 to the financial statements reflect nil comparative balances for bursary support services and administrative expenses.
vi. Page xvii reads report of independent auditors instead of report of the auditor general
vii. The footnote on the financial statement of performance reads pages I to xvii form an integral part of these financial statements instead of the notes are set out on pages 23 to 35.
viii. At page 11 on budget information, the required information on the last paragraph has not been provided instead
ix. The table on the liquidity risk management on page 19 reads as at 30 June, 2019 and 2018 instead of as at 30 June, 2020 1nd 2019
x. The table on foreign currency risk on page 20 indicates year 2019 instead of 2020.

Consequently, the financial statements for the year ended 30 June 2020 do not conform to the format prescribed by the Public Sector Accounting Standard Board.

Management Response

Hon chair, the anomalies as per the audit observation have been noted and the issues raised have been addressed subsequently in the financial years to comply with the Public sector and accounting standards board's templates. The financial statement for the financial year 2021-22 has been availed for audit verification and a copy has been attached.

Committee Observations

The Committee observed that-

i. The Fund's financial statements were not in compliance with the template prescribed by the Public Sector and Accounting Standards Board (PSASB).

ii. There were numerous errors within the financial statements which have since been 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.**

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 and Fraud Policy

During the year under review, The Fund does not have a risk management policy in place contrary to the provisions of Section 158 (1) of the Public Finance Management (County Government) Regulations, 2015 which states that the Accounting Officer shall ensure that the County government entity develops—(a) risk management strategies, which include fraud prevention mechanism; and (b) a system of risk management and internal control that builds robust business operations.

Consequently, the Fund does not have a formal process for identifying, mitigating risks and fraud.

Management Response

Hon Chair, it is true that we currently don't have risk management policy in place as an entity. However, the fund adopted the County Risk Management Policy.

A copy of risk management policy has been availed for audit verification and a copy is attached.

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 THREE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BOMET COUNTY EDUCATION REVOLVING FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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-

Unsupported Expenditure

The statement of financial performance reflects fund administration expenses of Kshs. 898,200 as detailed in Note 4 to the financial statements. Included in Kshs. 898,200 is Kshs. 197,000 which was not accounted for through payment voucher, minutes of committee meeting, and attendance schedules and payment schedules.
Consequently, the accuracy, propriety and validity of Kshs. 197,000 on administrative expenses for the period ended 30 June 2020 could not be confirmed.

Management Response

Hon Chair, the observation has been noted and the supporting schedules for the administrative expenditure including payment vouchers with supporting documents have been availed for audit verification and copies hereby attached.

Committee Observations

The Committee observed that the management failed to provide payment vouchers, minutes of committee meeting, and attendance schedules and payment schedules to support administration expenses amounting to Kshs. 197,000 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 line 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 –

Un-procedural Loans Disbursement

The statement of financial position reflects long-term receivables from exchange transactions of Kshs. 29,100,000 being funds transferred to HELB for loan disbursements. However, no details were provided to confirm the beneficiaries of the loans were residents of Bomet County as required by Regulation 5(a) of the PFM Regulations, 2019.

Consequently, the propriety and validity of the loan disbursement of Kshs. 29,100,000 for the period ended June, 2020 could not be confirmed. In addition, the Fund Management breached the law.

Management Response

Hon chair, the Management having noted the observation of the Auditor-General got in touch with HELB fund management partner, and was able to get the updated loan disbursement schedule containing details of the institutions in which the money was paid indicating the student's admission numbers.

Further, it is also evidenced by the schedule that the beneficiaries are residents of Bomet County. This was the case during application in which the online system was set to reject any applicant whose identification of origin was not Bomet.
The schedule is herein attached.

Committee Observations

The Committee observed that the loan disbursement schedule containing details of the institutions in which the money was paid indicating the student's admission numbers 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 line 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 –

Lack of Risk Management and Fraud Policy

During the audit of Bomet county education revolving fund for the period ended 30 June 2020, it was noted that the Fund Administrator did not have in place a risk management and fraud policy to assist in detecting and preventing fraud contrary to regulation 158(1) of the County Government Regulations 2019.
No explanation was provided for failure to have risk management and fraud policy in place.

Management Response

Hon Chair, it is true that we currently don't have fund risk and fraud policy in place. However, we have a service contract with HELB on administration of the fund including loan recovery plan. This is because HELB has enough capacity and adequate legal framework to address the concerns of likelihood of loss of information or data.

Further, the fund has been adopting the county governments risk management policy as it plans to establish its own policy.

The service contract has been availed for audit verification and a copy is hereby attached.

Committee Observations

The Committee observed that the Fund operated without a risk management and fraud 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 FOUR

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BUNGOMA COUNTY EDUCATION SUPPORT SCHEME FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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. Inaccuracies in Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.20,226,634. However, this balance is as per the bank statement instead -of the cashbook balance of Kshs.5,716,710 resulting to a variance of Kshs.14,509,924.

Further, bank balance as per cashbook figure of Kshs.5,745,460 reflected in the reconciliation statement differs with the corresponding balance of Kshs.5,716,710 indicated in the cashbook resulting to un-reconciled variance of Kshs.28,750.

In view of the foregoing, the accuracy of the cash' and cash equivalents balance of Kshs.20,226,634 as at 30 June, 2020 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 query remains unresolved as the variances of Kshs.14,509,924 and Kshs. 28,750 in relation to cash and cash equivalents balance and the bank balance remained unreconciled 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.

2. Unsupported Award of Bursaries / Scholarships

Included in the scholarship and other educational benefits figure of Kshs. 150,861,337 reflected in the statement of financial performance, is an amount of Kshs.6,995,364 spent on bursaries/scholarships. However, acknowledgement receipts from the relevant institutions and approval from the County Education Support Scheme Committee were not provided for audit.

Further, the scholarship and other educational benefits includes bursaries totaling to Kshs.8,579,000 which were awarded to students in Vocational Training Colleges (VTC). However, these bursary awards were not supported with the relevant application forms approved by both the Ward Education Support Scheme Management Committee and the County Education Support Scheme Committee.

In view of the foregoing, it was not possible to confirm the authenticity and validity of the awards amounting to Kshs.15,574364 for scholarships and bursaries.

Management Response

a) Acknowledgement receipts and approval of the County Education Support Scheme Committee for KShs. 6,995,364

See the attached supporting documents; Acknowledgement receipts accounting for KShs. 6,995,364; Approval minutes of the County Education Support Scheme Committee

b) Application forms for awards to Vocational Training Centres.

The transfers to the Vocational Training Centres were made at the rate of KShs. 10,000 per student. Students in the VTCs do not pay tuition fees. Reg. 7(c) of Bungoma County Education Support Scheme Regulations, 2019 requires that an allocation of not less than 10% of the budgetary provision for the Scheme is made to the Vocational Training. Therefore, these transfers were made for all students in the Vocational Training Centres Scheme is made to the Vocational Training. Therefore, these transfers were made for all students in the Vocational Training Centres.

Committee Observations

The Committee observed that—

i. The management failed to submit the acknowledgement receipts to support the bursary disbursements of Kshs. 4,459,062 from the recipient institutions for audit verification.

ii. The management clarified that the amount of Kshs.8,579,000 in relation to bursaries awarded to students in Vocational Training Colleges were made for all students in the Vocational Training Centres. Further, the management submitted a schedule of the transfers to support the amount of Kshs.8,579,000.

Committee Recommendations

The Committee recommends that-

i. **The Ethics and Anti-Corruption Commission (EACC) conducts investigations on the matter and provide 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 line 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 for the year under review reflects a total budget of Kshs 243,726,800 against total actual receipts of Kshs.170,000,000 resulting to budget underfunding of Kshs.73,726,800 or 30%. Similarly, the Fund expended Kshs.155,961,337 against the approved budget of Kshs.243,726,800 resulting to budget under expenditure of Kshs.87,765,463 or 36% of the budget.

The underfunding and under expenditure may have affected the planned activities and students in the County.

Management Response

a) **Underfunding of Kshs.73,726,800**

During the year under review, the County Government did not receive the full disbursement of the Exchequer Releases on time. This affected the eventual transfers from the County Government to the Scheme

b) Under expenditure of Kshs.87,765,463

During the year under review, the schools were closed for a prolonged period because of the Covid-19 pandemic. Therefore, the funding of scholarships and bursaries only resumed after the re-opening of schools

Committee Observations

The Committee observed that-

i. The underfunding of Kshs.73,726,800 or 30% 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.87,765,463 or 36% 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.**

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 –

Non-Compliance with the Public Sector Accounting Standards Board Reporting Template

The National Treasury requires all County Government entities to prepare financial statements for all the funds and schemes that they operate using IPSAS Accrual

Reporting Template for 2019-2020, issued by the Public Sector Accounting Standards Board (PSASB). However, the following anomalies were noted:

a) The statement of performance against the Scheme's predetermined objectives included in the annual reports and financial statements is incomplete as it does not include progress on the attainment of stated objectives as required by the template.
b) The County Education Support Scheme Committee schedule does not include passport size photos, dates of birth and key academic and professional qualifications of the Committee members
c) Similarly, the Management Team schedule does not include passport size photos, dates of birth and professional qualifications of each manager.

In the circumstances, the reports and financial statements of the Scheme for the year ended 30 June 2020 may not be complete and in compliance with the reporting format prescribed by the Public Sector Accounting Standards Board.

Management Response

a) **Statement of performance against the Scheme's predetermined objectives is incomplete.**

The progress on the attainment of stated objectives as required by the template has been included in the subsequent annual reports and financial statements

b) **Lack of personal information and details of County Education Support Scheme Committee and the Management Team**

The Management agrees that it did not include all the details pertaining to the County Education Support Scheme Committee and the Management Team as required. This was subsequently corrected in the subsequent Financial Statements of the Scheme.

Committee Observations

The Committee observed that the financial statements of the Fund were not prepared in accordance with the accounting standards as prescribed by the Public Sector Accounting Standards Board reporting template during the financial 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.

CHAPTER FIVE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR ELGEYO MARAKWET COUNTY EDUCATION FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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 Bursary Disbursements

The statement of financial performance for the year ended 30 June, 2020 reflects general expenses amounting to Kshs.37,675,161. The amount include bursary disbursements totalling Kshs.26,944,639 to needy students in various learning institutions. However, acknowledgement letters to support a payment of Kshs.1,419,293 disbursed as bursaries to various institutions were not availed for audit review.

Consequently, the accuracy and validity of bursary disbursements amounting to Kshs.1,419,293 for the year could not be confirmed.

Management Response

Management stated that the bursary disbursements amounting to Kshs.1,419,293 has been fully acknowledged by the benefitting institutions.

Committee Observations

The Committee observed that whereas the acknowledgement letters to support a payment of Kshs.1,419,293 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 line 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 reflects final receipts budget and actual on comparable basis of Kshs.59,379,962 and Kshs.38,503,162 respectively resulting in under-funding of Kshs.20,876,800 or 35% of the budget. The Fund's expenditure was limited to the amount realized and spent Kshs.37,675,161 or 98% of the amount received.

Based on the approved estimates, under funding and expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

The amount of Kshs. 20,876,800 which was budgeted as revenue expected from public contributions and donations was not received as at 30 June 2020. This was occasioned by parents withholding their contributions after the COVID-19 outbreak and subsequent suspension of international travel. The University suspended learning during this period and there were no financial and academic loses experienced by the parties.

Committee Observations

The Committee observed that there was an under-funding of Kshs.20,876,800 or 35% 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 failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: No. AG.411613 Vol.1(9) dated 24 June, 2020.

Management Response

The County Executive Committee Member appeared before the County Assembly Select Committee on Public Accounts 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 2020.

The County Assembly Select Committee presented their report with recommendations. The management is working to implement the recommendations as advised by the committee.

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-

Cooperation between Elgeyo/Marakwet County and Tampere University

Note 8 to the financial statements reflect general expenses totaling Kshs.37,675,161. The amount includes Kshs.10,683,552 transferred to Tampere University of Applied Science Ltd (Finland) in respect of university fees for students from the County who were enrolled in University. Records provided for audit review revealed that a group of parents from the County signed an agreement with the Elgeyo/Marakwet County through Department of Education on 20 February, 2020 to enroll 25 students at Tampere University in Finland, where the parents committed to pay tuition fees for their children. The County had earlier signed a cooperation agreement with the University on 18 September, 2019, where the University was to offer a Bachelor of Science-Nursing degree to the students and the County to be responsible for recruitment of students; finding suitable practical training and placement for students; and, accreditation and legalization of the degree programme through the Nursing Council of Kenya.

However, review of documents and agreements provided revealed the following

anomalies.

i. The parents who signed the agreement with the University were to pay tuition fees through the County Education Fund Account No. 183057/500TCA at Trans National Bank, which was contrary to Section 6 of the Elgeyo/Marakwet County Education Act ,2017 which states that the resources of the Fund shall be utilized as a bursary to secure the attendance to an educational institution recognized by the County Government; as an Education loan to secure attendance to an educational institution of a nature of middle level colleges, vocational training colleges and universities or any other institution recognized by the County Government.

ii. The Fund Management did not provide a policy document on how the residents of Elgeyo/Marakwet were to benefit from the cooperation with Tampere University and the criteria on how the students were selected and awarded admission into the university.

iii. There was no evidence that the County Executive obtained accreditation status of Tampere University degree programme through the Nursing Council of Kenya as per clause 2.7 of the agreement.

iv. There was no evidence to show that the County Executive consulted the Ministry of Education and the Commission of University Education on the quality of the degree programmes offered the University, as no evidence was availed for audit confirmation.

v. The County Executive did not provide acknowledgment receipts from Tampere University as evidence to confirm that the funds benefited the intended students.

vi. Particulars of the payment vouchers indicate that the payments were for students' scholarships yet the parents paid school fees for their sons and daughters who were enrolled at the University.

Consequently, the legality and validity of Kshs.1 0,683,552 transferred to Tampere University of Applied Science Ltd in respect of university fees for the year ended 30 June,2020 could not be confirmed.

Management Response

The parents did not sign an agreement with Tampere University but the MoU was between Elgeyo Marakwet County and Tampere University.

This necessitated the agreement between the parents and Elgeyo Marakwet County as a commitment to pay fees for the students.

The Elgeyo Marakwet County Education Fund Act, 2017 was amended by deleting Section 6 and substituting with the following; as a bursary, scholarships, loans and grants to institutions of any nature of a vocational training centre, middle level college, homecraft, universities, foreign universities or institutions, or any other learning or training institution that may be recognized by County Government pursuant to this act or any other national legislation.

The guidelines for the management of international placement of nursing students for Tampere University of Applied Science provided the conditions and eligibility criteria in clause 5.

The County wrote to the Nursing Council of Kenya enquiring on the status of accreditation of the Bachelor of Science (Nursing) program offered at Tampere University of Applied Sciences (Finland).

The Council responded vide letter Ref: NCK/ST/07/2021 advising the County that the mandate of accreditation lies with the Commission on University Education.

The Ministry of Education and Culture, Department of Higher Education and Science Policy (Finland) vide letter dated 17 April 2021 certified that Tampere University of Applied Sciences operates under license granted by the Finnish Government and the degree program is approved and confirmed by the Ministry of Education and Culture.

The Commission for University Education vide letter Ref: CUE/5/2 Vol. 18 confirmed that Tampere University of Applied Sciences is recognized in Finland and by extension in Kenya.

Tampere University of Applied Sciences has issued receipt of funds transferred for fees.

Committee Observations

The Committee observed that—

i. The Elgeyo Marakwet County Education Fund Act, 2017 was amended by deleting Section 6 of the Act.
ii. Management did not provide evidence that the County Executive obtained accreditation status of Tampere University degree programme through the Nursing Council of Kenya, evidence to show that the County Executive consulted the Ministry of Education and acknowledgment receipts from Tampere University.
iii. Parents paid school fees for their children however payment vouchers indicate that the payments were for students' scholarship.

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 line 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 2019/2020

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 2019/2020. 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. Accuracy of the Financial Statements

The Fund's statement of financial performance reflects Kshs. 60,000,000 on transfers from the County Government and Kshs. 59,880,016 on total expenses resulting to surplus of Kshs. 119,984 for the year ended 30 June, 2020. However, the statement of comparison of budget and actual amounts reflects nil balances on the budgeted and actual receipts and expenditure.

In the circumstances, the accuracy of the nil balances in the statement of comparison of budget and actual amounts for the year under review could not be confirmed.

Management Response

The amounts quoted in the report are comparative figures for financial year 2018/2019.

Committee Observations

The Committee observed that the amount of Kshs. 60,000,000 and Kshs. 59,880,016 were comparative figures for the financial year 2018/2019 and 2019/2020 and attached documents to show the same.

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. Cash and Cash Equivalents- Stale Cheques

As disclosed in Note 11 to the financial statements, the statement of financial position reflects Kshs. 119,984 on cash and cash equivalents. However, a review of the bank reconciliation statement for the month of June, 2020 revealed stale unpresented cheques amounting to Kshs. 153,777 which have not been replaced or reversed in the cashbook thus understating the cash and cash equivalents balance by the same amount. Further, failure to update the cashbook is contrary to Regulation 90(3) of the Public Finance Management (county Governments) Regulations, 2015 which articulates the accounting officer shall ensure that any discrepancies noted during bank reconciliations exercise are investigated immediately and appropriate action taken including updating the relevant cashbooks.

In the circumstances, the accuracy of the Kshs. 119,984 on cash and cash equivalents as at 30 June, 2020 could not be confirmed. In addition, the Fund was in breach of the law.

Management Response

The stale cheques have been reversed in the cashbook.

Committee Observations

The Committee observed that stale cheques amounting to Kshs. 153,777 that were not reversed in the cashbook have since been reversed

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**

A review of the budgetary process, control and performance revealed that there were no budgetary process documents including circulars, minutes for the meetings and a formally approved budget for the year ended year 30th June 2020.

In the circumstances, the Fund's budgetary process for the year under review could not be confirmed.

Management Response

The Fund's budget is included in the County Executive main budget under the special programs where all the requisite budget process is followed and documentation done. There was zero budget for the fund during the year due to Covid-19 pandemic.

Committee Observations

The Committee observed that there was no budgetary allocation done during the year under review to the Fund due to the Covid-19 pandemic

Committee Recommendations

The Committee recommends that—

i. **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

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.**

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. Presentation of the Financial Statements

The notes to the financial statements reflected in the statement of financial position as at 30 June, 2020 do not correspond to the actual notes to the financial statements contrary to the format prescribed by the Public Sector Accounting and Standards Board (PSASB).

In the circumstances, the Fund's financial statements are not prepared in accordance with the format prescribed by PSASB.

Management Response

Notes to the Statement of Financial Position i.e on cash and cash equivalents have been aligned with statement by changing from note 11 to note 10.

Committee Observations

The Committee observed that—

i. the financial statements for the year under review were not prepared in accordance to the Public Sector Accounting and Standards Board Regulations.

ii. there were errors that ought to have been corrected as prior year matters in the subsequent financial. The errors indicate capacity issues and poor record keeping.

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.**

CHAPTER SEVEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR HOMA BAY COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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. Cash and Cash Equivalent

The statement of financial position as at 30th June, 2020 reflects cash and cash equivalents amounting to Kshs. 26,315. The amount was in respect of amounts held at the funds bank account as per Note 4 to the financial statements. However, the balance was not supported by a confirmation of balances certificate from the bank.

Consequently, the accuracy and completeness of cash and cash equivalents amounting to kshs. 26,315 as at 30 June, 2020 could not be ascertained.

Management Response

The management wishes to state that the correct bank balance for the fund account as at 30 June 2020 was 26,315 as reflected in note 4 of the financial statement and a copy of the bank certificate is hereby attached.

Committee Observations

The Committee observed that the management failed to submit bank certificates to support cash and cash equivalents balance amounting to Kshs. 26,315 for audit review during 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 line with section 62(2) of the Public Audit Act in the subsequent audit cycle.

2. Difference Between Financial Statements and Explanatory Notes

The statement of financial performance reflects expenditure of kshs 361,040 under fund administrative expenses. However, Note 2 to the financial statement reflects nil expenditure on the item resulting in a difference of Kshs. 361,040 between the statement and the note

Management Response

The management regrets the error of omission of ksh 361,040 on note 2 to the Financial Statements. However, this error was corrected during preparation of the subsequent Financial Year financial statements.

Committee Observations

The Committee observed that the variance of Kshs. 361,040 between the statement of financial performance and Note 2 to the financial statements was an error of omission which has since been 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.**

3. Material Uncertainty Relating to Sustainability of Service

The statement of comparison of budget and actual amounts and Note 1 to the Financial Statements indicates that the County Assembly of Homa Bay did not appropriate any funds to the Homa Bay County Education Bursary Fund for the year ended 30 June 2020 as provided for in section 6(1) of the Homa Bay County Education Bursary Act, 2015 which states that the fund shall consist of monies appropriated by the County Assembly; monies received as contributions, gifts, or grants from any lawful sources; monies earned arising from any investment of the Fund; and any money that may be payable or vested for the Fund.

The condition indicates existence of a material uncertainty, which may cast significant doubt on the Fund's ability to sustain its services or discharge its mandate. Further, management did not disclose the uncertainties in the Financial statements as required in paragraph 38 of the IPSAS 1.

Management Response

The management wishes to state that in the financial year under review there were no funds disbursed to the department and this was due to the Covid-19 virus outbreak which led to closure of schools. Therefore, there was no disbursement of bursary funds to beneficiaries.

Committee Observations

The Committee observed that no funds were appropriated to the Homa Bay County Education Bursary Fund during the financial year under review. This is contrary to section 6(1) of the Homa Bay County Education Bursary Act, 2015 which states that the fund shall consist of monies appropriated by the County Assembly.

Committee Recommendations

The Committee recommends that—

i. **Homa Bay County Executive ensures that funds are allocated to the Homa Bay County Education Bursary Fund in accordance with section 6(1) of the Homa Bay County Education Bursary Act, 2015; and**
ii. **The Auditor-General to keep this matter in view in the subsequent audit cycle.**

CHAPTER EIGHT

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KAJIADO COUNTY BURSARY GRANTS AND SCHOLARSHIP FUNDS FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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 based on the following basis—

1. Accuracy of the Financial Statements

Examination of the financial statements for the year ended 30 June, 2020 revealed the following inaccuracies: -

i. The statement of financial position as at 30th June 2020 reflects net assets totaling to Kshs. 8,383,176 against total assets and liabilities balance of ksh 8,238,946 resulting to a variance of Ksh144,230 which was not explained or reconciled. Further the statement reflects a revolving fund comparative balance of ksh. 4,268,229 while the statement of change in net assets reflects a revolving fund nil balance resulting to unreconciled and unexplained variance of ksh, 4,268,229. The inconsistency was not explained.

ii. The statement of cash flow reflects net increase in cash and cash equivalent balances of Kshs. 2,736,541 while the net decrease in cash and cash equivalents as per the statement of financial position totals to Kshs. 1,087,459 resulting to unreconciled and unexplained variance of ksh 3,824,000.

iii. The statement of financial performance reflects other grants and payments (bursary disbursement) balance of 107,794,920 while the corresponding note 2 to the financial statements reflects a balance of ksh 107,786,920 resulting to unexplained and unreconciled variance of Kshs. 7,210.

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

Management Response

The management took note of the highlighted variance of Kshs 144,230 between total assets and total assets and liabilities balances in the Statement of Financial Position as at 30th June 2020. The correct balance for total assets and liabilities was Kshs. 8,383,176 and this was corrected in the subsequent year.

Further, the Bursary Fund does NOT operate a Revolving Fund as evidenced by the 2019/2020, 2020/2021 and 2021/2022 Statements of Changes in Net Assets. The amount of Kshs. 4,268,229 was a balance brought forward in the year 2018/2019 that was erroneously omitted in the 2019/2020 Statements of Changes in Net Assets and the subsequent years. Management has endeavored to correct the error. The corrected balance will be reflected in the 2023/2024 financial statements that will be submitted for audit. Also, the Statement of Cash Flow reflected a net decrease in cash and cash equivalents. As per the Statement of Financial Position, Cash and cash equivalents amounted to Kshs 9,470,635 in the year 2018/2019 while that in the year 2019/2020 it was Kshs 8,383,176 resulting in a decrease of Kshs. 1,087,459 and this was rectified in the subsequent year.

Finally, an amount of Kshs. 107,786,920 was an error. The true position of the bursary disbursement for the year under review was Kshs. 107,794,130. and this was rectified in the subsequent year.

Committee Observations

The Committee observed that—

i. The variance of Ksh144,230 was due to an error in preparation of the financial statements which the Fund's management claims has since been corrected. However, this correction is yet to be verified by the Auditor-General.
ii. The variance of Kshs. 4,268,229 was due to an erroneous omission which the Fund's management claims has since been corrected within the financial statements for the financial year 2023/24. However, this correction is yet to be verified by the Auditor-General.
iii. The variance of Kshs. 3,824,000 in relation to Cash and cash equivalents was corrected within the financial statements of the subsequent financial year (2020/2021) thus the matter was addressed.
iv. The variance of Kshs. 7,210 in relation to other grants and payments (bursary disbursement) balance was due to a clerical error which was corrected within the

financial statements of the subsequent financial year (2020/2021) thus the matter was addressed.

Committee Recommendations

The Committee recommends that-

i. **The Auditor-General to verify that the necessary reconciliations in relation to the variances of Kshs. 144,230 and Kshs. 4,268,229 were done and provide a status update on the same to the Senate 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. Irregular Bursary Disbursement

The statement of financial performance reflects other grants and payments (bursary disbursement) balance of Ksh. 107,974,130 being bursary disbursement to students in the year under review. An audit review confirmed that out of the total bursary disbursement of Ksh. 107,794,130 an amount of Kshs, 30,119,000 was disbursed without supporting approval minutes by the committee and a total of Ksh 53,285,920 was disbursed without approval by the county bursary committee contrary to regulation 13(1) of the Kajiado County Education Bursary Grants and Scholarship Fund 2015.

Further, records held confirms that bursary totaling to Kshs. 300,000 were awarded to ewuaso kedong ward as per approved minutes of 17 January 2020. However an additional amount of bursary disbursement of ksh. 1,390,000 was made to the above ward without approval. No correspondence was provided to the management on the complaint or reasons for failure to issue bursaries to the awarded applicants.

Management Response

It's worth noting that the establishment of a Ward Bursary Committee was a requirement as per the Bill of 2015, Section 13(1). The same Section was amended in the Kajiado County Education, Bursary, Grants, and Scholarship Fund Regulation, 2016 that created Ward Bursary Committees. Copies of the Bill, 2015 and Act, 2016 are hereby attached for perusal.

During the year 2019/2020 management disbursed bursaries of Kshs. 107,794,130. Ward Bursary Committees Minutes from various Wards are hereby attached to support the disbursements including Kshs. 30,119,000.

Ewuaso Kedong Ward approved bursaries of Kshs 1,690,000. The initial list had 300,000 beneficiaries. The annex to the list of Ewuaso Kedong Ward totaling Kshs. 1,390,000, was a continuation list of the initial list of beneficiaries for the Ward. The approved minutes of 17 January 2020 from the Ward are attached herewith for confirmation.

Committee Observations

The Committee observed that—

i. The management failed to provide ward Committee Minutes for 8 wards as well as a list of beneficiaries to support Bursary disbursements of Kshs, 30,119,000 and Ksh 53,285,920 for audit verification.
ii. whereas the minutes in support of the approval of the additional Bursary disbursements amounting to Kshs. 1,390,000 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 line 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 actual payments totaling to ksh,112,263,459 against no budget provision. This contrary to section 149(2)(h) of the Public Finance Management Act, 2012 that requires the Accounting officer to prepare estimates of the expenditure of the entity in conformity with strategic plan and section 149(2)(i) which requires the Accounting officer to submit the estimates of an entity which is not a county corporation to County Executive Committee Member for Finance.

Management Response

The Revenue and Expenses Budget amounts in the Statement of Comparison of Budget and Actuals are normally based on the approved Budget. The actual revenues and expenditures on comparable basis are based on the Statement of Financial Performance. The omission in reporting the same under the original and final budget columns in the Statement of Comparison of Budget and Actuals for the year is hereby regretted. Consequently, management has ensured that the Statement of Comparison of Budget and Actuals has been completed in the subsequent years. The budget for the period under review is attached herewith for verification.

Committee Observations

The Committee observed that the management failed to provide the Fund's approved budget for the financial year under review for audit verification.

Committee Recommendations

The Committee recommends that—

i. **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**

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 NINE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KERICHO COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2019/2020

The Governor of Kericho County, Hon. Dr. Erick Mutai appeared before the Committee on Tuesday, 5th 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 2019/2020. 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. Inaccuracies in the Financial Statements

A review of the financial statements revealed the following anomalies;

i. The statement of comparison of budget and actual amounts on page 14 reflects an adjustment totalling to Kshs. 119,167,294. This relates to adjustments due to supplementary budget. However, the opening cash and cash equivalents balance of Kshs. 77,116,931 was not included in the adjustment for re-budgeting.

ii. No trial balance was prepared and submitted for audit.

iii. The accumulated surplus figure of Kshs. 4,962,178 is omitted in the statement of financial position.

iv. Inaccuracy in opening balances;

The following differences were noted between some of the balances in the financial statements and the previous year audited balances as shown below;

Item	Opening balance 2019/2020 (Kshs.)	Audited Financial Statements 2018/2019 (Kshs.)	Variance (Kshs.)
Surplus	17,089,813	77,116,931	60,027,118
Other Payments	0	42,464	42,464
Bursaries	105,741,703	105,750,703	9,000
Total	122,831,516	182,910,098	60,078,582

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

Management Response

The opening balances of Kshs. 77,116,931 was not included in the statement of comparison of budget and actual amounts for re-budgeting because this was a running balance from last year which had been allocated hence no need for re-budgeting.

Further, the trial balance for the financial year was prepared as evidenced in the attached annextures. The management concurs with the auditor's observation that there was an omission of accumulated surplus in the financial position. However, the error was corrected.

The management wish to state that difference of Kshs. 60,027,118 was the balance brought forward from the previous year as evidenced in the statement of changes in net assets for the year under review. Further, other payments relate to bank charges as stated in Note. 3 of notes to the financial statements. In addition, bursaries disbursed in audited financial statements amounts to Kshs. 105,741,703 as evidenced in Note 3 of the notes to the financial statements.

Committee Observations

The Committee observed that—

i. accumulated surplus figure of Kshs. 4,962,178 was omitted in the statement of financial position but the error was later corrected.
ii. management prepared a trial balance and presented it for 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;**
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. Unsupported Payments

As disclosed in Note 3 to the financial statements, the statement of financial performance reflects an amount of Kshs. 71,710,113 relating to general expenses. However, payments totalling to Kshs. 3,158,400 related to other payment (disbursements to a local learning institution) not supported with documents such as payment vouchers and bursary sub-committee minutes.

Consequently, the accuracy and completeness of the expenditure amounting to Kshs. 3,158,400 could not be confirmed

Management Response

The management concurs with the auditor's observations that there were no supporting documents such as payment vouchers and bursary ward committee minutes to support the payment of Kshs. 3,158,400. We would like to state that the said payment is under litigation process in court.

Committee Observations

The Committee observed that—

i. there is possibility of loss of Kshs. 3,158,400 disbursed to a local learning institution.

ii. management did not provide case number during audit to prove that the matter is under litigation.

iii. payment of Kshs. 3,158,400 was not supported by payment vouchers and bursary sub-committee minutes.

Committee Recommendations

The Committee Recommends that—

i. **the management should give a copy of the case number to the Auditor-General for verification that the matter is under litigation within 30 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 line with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

CHAPTER TEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KIAMBU COUNTY EDUCATION BURSARY FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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. Unsupported Adjustments in the Statement of Changes in Net Assets

The statement of changes in net assets as at 30 June, 2019 and 30 June,2020 reflects balances amounting to Kshs. 1,775,027 and Kshs. 1,689,779 described as adjustments-reversed stale cheques, however supporting journals have not been provided for audit verification. Further, it was not possible to confirm how reconciliation items· would affect the net assets.

Consequently, the accuracy and validity of the adjustments could not be confirmed.

Management Response

The audited financial statements as per the auditor's observation included stale cheques in the Statement of Changes in Net Assets in both the financial year 2018/2019 and 2019/2020.This was an erroneous inclusion in the statement of changes in net asset. The cash book was debited with Kshs 1,775,027 and Kshs 1,689,779 respectively and credited in the general expense (bursary account) at the beginning of the financial years. These amounts were initially recognized as expenditure, however these stale cheques were reversed and therefore recognized as receipts thus increasing the net assets.

Supporting journals for the stale cheques have been attached for verification.

Committee Observations

The Committee observed that Kshs. 1,775,027 and Kshs. 1,689,779 were erroneously included as expenses instead of being recognized as receipts as they were reversed stale cheques.

Committee Recommendations

The Committee recommends that—

i. **The Auditor-General to confirm prior year adjustment on the errors were carried out 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. Inaccurate Statement of Cashflows

The statement of cash flows for the year ended 30th June, 2020 reflects a balance of Kshs. 8,475,334 and Kshs. 10,165,114 in respect of cash and cash equivalents balances as at 30 June, 2019 and 1 July, 2019 respectively resulting to unexplained and unreconciled variance amounting to Kshs. 1,689,780.

In the circumstances, the accuracy, completeness, presentation and disclosure of the statement of cash flows could not be confirmed.

Management Response

The figure of Kshs. 10,165,114.20 contains stale cheques added back in the cash book amounting to Kshs. 1,689,780 from the closing balance of Kshs. 8,475,334.50. They acknowledge this was an inappropriate posting nevertheless the correction will be reflected by the journal that they have effected in query number 1 above as per the auditors' observation.

Committee Observations

The Committee observed that the closing balance of Kshs. 10,165,114 as at July 2019 included stale cheques of Kshs. 1,689,780 that had been added back to the cashbook from the closing balance of Kshs. 8,475,334.50. This constituted a posting error.

Committee Recommendations

The Committee recommends that—

i. **The Auditor-General to confirm prior year adjustment on the errors were carried out 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.**

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. Over-Expenditure

The statement of comparison of budget and actual amounts reflects final expenditure budget of Kshs. 100,000,00.0 against actual expenditure of Kshs. 103,937,870 resulting to unapproved over expenditure of Kshs. 3,937,870 or 4%.

In the circumstances budget and budgetary controls were not adhered to.

Management Response

The initial budget for the financial year 2019/2020 was Kshs. 100,000,000. There was unspent fund from the previous year FY 2018/2019 of Kshs. 10,165,114 that was brought forward leading to available budget of Kshs. 110,165,114. The management has taken note that the cash at bank at the closure of the period should have been factored in the subsequent budget.

Committee Observations

The Committee observed that Kshs. 10,165,114 brought forward from the previous year had not been factored in the current year's financial statements.

Committee Recommendations

The Committee recommends that—

i. **Auditor to confirm prior year adjustment on the errors were carried out 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. Non-Compliance with the Prescribed Format

A review of the financial statements presented for audit reflects the following anomalies:

i. the statement of management responsibilities on page 13 of the financial statements does not indicate the appropriate legislation establishing the fund as required by section 167 of the Public Finance Management Act, 2012,

ii. Page 1 and 2 of the financial statements includes the cover page and table of contents respectively.

The financial statements presented did not comply with the financial reporting template recommended by the Public Sector Accounting Standards Board ·(PSASB).

Management Response

The management stated that the format required them to indicate the appropriate legislation establishing the fund. They took note and the necessary correction would be made. In the subsequent years they have ensured compliance to the prescribed formats as is required.

Committee Observations

The Committee observed that the financial statements prepared in the year under review did not conform to the accounting standards prescribed by the Public Sector Accounting Standards Board.

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 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. Compliance with Kiambu County Education Bursary Fund Act, 2014

1.1 Ineffective Bursary Awards

As disclosed in Note 3 to the financial statements, the statement of financial performance reflects bursary disbursements amounting to Kshs. 100,457,971 to assist needy students in various learning institutions. However, a review of records of disbursement reflects award of bursary amounts to beneficiaries as little as Kshs. 1,000 and Kshs. 2,000 by the Bursary Committees. Further, contrary to Section 5 of the Kiambu County Education Bursary Fund Regulations, 2014, the County Executive Committee Member in charge of Finance did not issue guidelines stipulating the minimum amounts that may be awarded to an applicant in relation to the type or level of school the applicant is attending. No explanation was provided for the little amounts issued which made little impact on the intended beneficiaries resulting to ineffective use of public funds.

Management Response

The amounts of money allocated to each beneficiary is dependent on the number of qualifying applicants and the available resources. The amount allocated to each beneficiary is per the decision of the bursary committee. It is worth noting that Kiambu county is densely populated thus the number of needy cases is high compared to the available resources.

There was an omission to include the guidelines on the minimum bursary allocations during the financial year under review, in absence of the guideline, the bursary ward committee used their discretion in the allocation based on the number of applicants. However, this was corrected in the subsequent disbursements.

Committee Observations

The Committee observed that the Fund did not have clear guidelines on the criteria to use while allocating the Bursaries leading to allocation of funds at little as Kshs. 1,000 and Kshs. 2,000 per student.

Committee Recommendations

The Committee recommends that the County Government should come up with a clearly defined policy for awarding bursaries in the Kiambu County Education Bursary Fund Act, 2014, keeping in mind the different needs of the students.

CHAPTER ELEVEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KILIFI WARD SCHOLARSHIP FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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-

1.0 Bursary awarded to students without registration numbers

The statement of financial performance reflects general expenses-bursary payments amounting to Kshs 326,916,811 which, as disclosed in Note 3 to the financial statements which includes an amount of kshs 40,403,065 in respect of bursary payments made to 361 institutions for 3516 students without registration or admission numbers.

Consequently, the validity and propriety of general expenses (bursary payments) of Kshs.40,403,065 for the year ended 30 June, 2020 could not be confirmed.

Management Response

The fund agrees with the observations. However, these students who lack the admission numbers are normally first-time students transitioning from one level to another especially those joining form one among others.

The data was later on updated after the students joined the institutions.

Attached is a list of the 3516 students showing their admission numbers.

Committee Observations

The Committee observed that whereas the list of students with admission numbers 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 line with section 62(2) of the Public Audit Act in the subsequent audit cycle.

2.0 Failure to develop regulations

As previously reported, the audit of the Scholarship Fund showed that the Fund was established in accordance with the Kilifi County Ward Scholarship Fund Administration Act, 2013. However, inquiries from the Management and review of records showed that the Fund had not completed developing regulations, policies and procedures for proper implementation of this Act.

This is contrary to Section 26 of the Kilifi County Ward Scholarship Fund Administration (Amendment) Act, 2015 which requires the County Executive Member for Education to make regulations for the better carrying out of the provisions of this Act.

The Management was therefore in breach of the law.

Management Response

The County Executive Member for Education drafted the proposed regulations and are currently at the County Assembly of Kilifi for consideration.

Committee Observations

The Committee observed that the Regulations of the Fund have been drafted, however, are yet to be approved by the County Assembly.

Committee Recommendations

The Committee recommends that 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.

3.0 Students Awarded Scholarships by More Than One Ward

As previously reported, review of the scholarship beneficiaries schedule provided for audit showed that 331 students applied for and were granted scholarships totaling Kshs.

326,916,811 in the year under review. Included in this amount are scholarships amounting to Kshs 4,009,862 which were awarded to students in various institutions from two (2) or more wards.

The beneficiaries who received bursaries from more than one (1) ward benefited at the expense of other needy students and which indicates lack of equity and fairness in the distribution of resources within the County, contrary to Section 149 of the Public Finance Management Act, 2012 which states that an Accounting Officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized and effective, efficient, economical and transparent.

The Management was therefore in breach of the law.

Management Response

The fund management agrees with the observation. However, students getting scholarships from more than one ward is occasioned by inadequate funding. Kshs. 350,000,000 shared equally among the 35 wards is not enough considering the high population hence some students get bursaries as low as Kshs. 2000/- which cannot retain them in schools. This situation forces some students to make multiple applications in different wards. The county is however, in the process of finalizing amendment of the Scholarship Act 2018 to increase the fund from kshs 350,000,000 to kshs. 500,000,000 as an effort to address the issue of inadequate funding.

See Amended Act 2023 which increased the fund from 350 million to 500 million.

The scholarship board sat and agreed that the Department of Education should procure the Integrated bursary management system which will help in detecting multiple allocations and assist in performance monitoring and evaluation. Attached are minutes/resolutions of the scholarship board members approving the purchase of the system.

Committee Observations

The Committee observed that some students received bursaries from more than one ward at the expense of other needy students.

Committee Recommendations

The Committee recommends that the County Executive Committee Member (CECM) in charge of Education ensures that a centralized database with unique identity tracking is implemented to ensure all bursary applicants and recipients are consistently recorded to prevent duplication and provide a status update on the same to the Senate within 60 days of the adoption of this report.

4.0 Failure to Follow-up on Beneficiaries Performance

As disclosed in Note 3 to the financial statements, the statement of financial performance reflects bursary payments amounting to Kshs. 326,916,811. Review of available records showed that no follow up was being done on the performance of the sponsorship recipients who should send their performance after every three months, contrary to Section 36 (1-c) of the Kilifi County Ward Scholarship Fund Administration Act, 2018 which states that the County Department of Education shall monitor the performance of all the sponsorship recipients and Sub-Section (2) which states that a sponsorship recipient shall, in every three months or as soon as possible, submit to the County Department of Education the scholarship recipients academic transcript.

The Management was therefore in breach of the law.

Management Response

The fund concurs with the observations however, there has been a challenge in making the follow up due to lack of funds for performance monitoring exercise.

However, the fund administration budget was increased in the amended Act 2023 which provide funds for performance monitoring exercise.

The management has established commitment forms where students fill in order to adhere with rules and regulations of sponsorship for purposes of monitoring.

The management will also put in place the integrated bursary management system which will help in tracking students' performance as indicated in the resolution of board members of scholarship fund approving the creation of system.

Committee Observations

The Committee observed that the management failed to provide evidence of monitoring of the performance of sponsorship recipients contrary to Section 36 (1-c) of the Kilifi County Ward Scholarship Fund Administration Act, 2018.

Committee Recommendations

The Committee recommends that the Accounting Officer ensures that measures such as establishment a clear tracking framework with regular reporting is put in place to enable regular monitoring of the performance of scholarship recipients and provide a status report on the same to the Senate within 60 days of the adoption of this report.

CHAPTER TWELVE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KIRINYAGA COUNTY EDUCATION BURSARY FUND FOR THE FINANCIAL YEAR 2019/2020

The Governor of Kirinyaga County, Hon. Anne 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 2019/2020. 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-

Variance between the statement of financial position and the statement of changes in Net Assets.

The Funds statements of financial position as at 30 June, 2020 reflects a balance of Kshs. 2,722,367 in respect of revolving fund. However, the statement of changes in net assets reflects a nil balance in respect to the same item, resulting to unreconciled and unexplained variance of Kshs. 2,722,367.

In the circumstances, the accuracy of two financial statements for the year under review could not be confirmed.

Management response

The amount of Kshs. 2,722,367 is reported as a revolving fund in the Statement of Financial Position in the financial year 2019/2020. The variance is explained as having resulted from reporting the amount in the accumulated surplus column in the Statement of Changes in Net Assets instead of as a revolving fund. The variance is corrected by reporting the amount as a revolving fund in the Statement of Changes in Net Assets.

Committee Observations

The Committee observed that the variance of Kshss. 2,722,367 was an error that has since been 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.**

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. Presentation of Financial Statements

The financial statements for the year ended 30 June, 2020 provided for audit reflects the following anomalies which are not in accordance with the Public Sector Accounting Standards Board (PSASB) reporting template issued in June, 2020 and International Public Sector Accounting Standards (IPSAS)

i. Paragraph 1(h) at page 2 in respect of key entity information and management indicates the Fund's independent auditors as the Auditor General in the Kenya National Audit Office, contrary to Section 4 (1) of the Public Audit Act, of 2015

ii. Public Sector Accounting Standards Board (PSASB) stipulates that the Fund's financial statements should include a list of Management team, each containing passport size photo and name, a concise description of each member's date of birth, key academic and professional qualifications and work experience among other details. However, although the Fund's financial statements at page 4 includes a table relating to the management team, the said information is not included there-in. Further, the best accounting practice stipulates that the financial statements should be rounded off to the nearest shillings. However, the Fund's financial statements contain decimals.

iii. The International Public Sector Accounting Standard (IPSAS) 1 stipulates that the statement of financial position should be "as at "and not "for the year ended "as reflected in the Fund's financial statements.

iv. The reporting template issued by the Public Sector Accounting Standard (PSASB) require that the statement of performance against Fund predetermined objectives be included in the financial statements. However, the said statement has not been included in the financial statements.

v. The statement of Management Responsibilities has not indicated the applicable legislation establishing the Fund and the approval date of the financial statements as stipulated in the financial reporting template.

vi. The financial statements at page 10 reflects report of the trustees indicating that XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the entity for the year/period ended 30 June, 2018 which is misleading to users of the financial statements since the

financial statements under review relate to 2019/2020. In addition, no evidence was provided to show that the Auditor–General has nominated the said XYZ. Further, the report of the trustees is not signed and dated.

vii. The reporting template requires the financial statements to reflect a statement on progress on follow-up of auditor's recommendations. However, although this statement is reflected on page 44 of the financial statements, no details have been indicated therein.

viii. Note 11 (c) has not indicated the names of the commercial banks and account numbers in which the cash at bank amounting to Kshs. 44,698,145 as at 30 June, 2020 are held, contrary to the Public Sector Accounting Standards Board (PSASB). The approval date of the financial statements is not indicated in the statement of financial position.

ix. The financial statements at pages 28 and 31 contain "XXX" which have not been customized to reflect information relevant to the Fund.

x. The summary of significant accounting policies at page 30 to the financial statements includes sensitivity analysis at item (ii) relating to interest rate risk which includes Kshs- (2017: Kshs-) which has not been customized to reflect information relevant to the Fund.

Management response

i. The reference to the Office of the Auditor General as the Kenya National Audit Office in the financial year 2019/20 is corrected by referring to the "Office of the Auditor General" and not "Kenya National Audit Office". In the FY 2020/21 the correct reference is made.

ii. The observation in the financial year 2019/2020 was noted. In the FY 2020/21 the list of management team with the reference details was included.

iii. The anomaly observed in reporting the Statement of Financial Position as" for the year ended" instead of "as at" in financial year 2019/2020 was noted. In the FY 2020/21 the report is "as at".

iv. The anomaly observed in the financial year under review was noted. The FY 2020/21 financial statement includes the statement of performance against fund predetermined objectives.

v. The anomaly observed in the financial year under review was noted. In the FY 2020/21, the applicable legislation establishing the fund is indicated.

vi. The anomaly observed in the report of Trustees indicating that XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the entity for the year/period ended 30 June, 2018, should have been customized to delete the section reading "OR XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the entity", signed and dated.

vii. The follow-up of auditor's recommendations on page should be reported in the financial statements as per the reporting template. Attached is a reporting template with details.

viii. The anomaly observed in the financial year under review is noted and will be rectified by indicating the names of the commercial banks and account numbers in which the cash at bank is held and the approval date of the financial statement.

ix. The anomaly observed in the financial year under review was noted. In the FY 2020/21 "XXX" is customized to reflect information relevant to the fund.

x. The anomaly observed was noted. The anomaly is rectified by customizing "Kshs- (2017: Kshs-)" to reflect information relevant to the Fund in sensitivity analysis.

Committee Observations

The Committee observed that the financial statements of the fund were not prepared in compliance with the reporting template prescribed by the Public Sector Accounting Standards Board (PSASB), however, all the anomalies were corrected within 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.**

2. Unbalanced Budget

The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects approved revenue budget and expenditure of Kshs. 45,000,000 and Kshs. 3,024,222 respectively resulting to a variance of Kshs. 41,975,778 in respect of imbalance in the budget contrary to section 31 (c) of the Public Finance Management (County Government) Regulations, 2015 which requires budget revenue and expenditure appropriations to be balanced.

Management Response

In the statement of Comparison of Budget and Actual Amounts, the revenue budget should be the same as the expenditure budget. The amount of Kshs. 45,000,000 reflected as the revenue budget should have been the same amount reflected as the expenditure budget instead of the amount of Kshs. 3,024,222 leading to the variance of Kshs. 41,975,778. The variance is corrected by reporting the revenue budget and the expenditure budget as a balanced amount of Kshs. 45,000,000.

Committee Observations

The Committee observed that 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.

Committee Recommendations

The Committee recommends that—

i. **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;

ii. **the Accounting Officer ensures strict compliance with the provisions of Regulation 31 (c) of the Public Finance Management (County Government) Regulations, 2015 with regards to a balanced budget, 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 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 THIRTEEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KISII COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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-

1.1 Presentation of the Financial Statements

The statement of changes in net assets and statement of comparison of budget and actual amounts are presented "as at 30 June, 2020" and "period ended 30 June, 2020" respectively. This is contrary to the Public Sector Accounting Standards Board reporting format and Section 66(a) of IPSAS 1 which requires that the statements be presented "for the year ended"

Management Response

The management concurred with auditor's observation in Presentation of the Financial Statements. This is regrettable and has been subsequently corrected to comply with the reporting template.

Committee Observations

The Committee observed that the financial statements did not comply with the Public Sector Accounting Standards Board reporting format but have since been comliant and the matter 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 Presentation of Financial Statements

The financial statement excludes progress on follow up of auditor's recommendations contrary to the Public Sector Accounting Standards Board (PSASB) reporting format.

Management Response

The management concurred with auditor's observation on progress of follow ups of auditor's recommendations. However, by the time the financial Statements were being prepared, audit certificate had not been received, but where we receive the audit certificate in good time, the department gives recommendations and progress on how to resolve the raised issues.

Committee Observations

The Committee observed that the management did not include progress on follow up of auditor's recommendations which was contrary to the PSASB reporting format. The matter has since been 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.**

2.0 Cash and Cash Equivalents

The Statement of financial position reflects Kshs. 51,160 in respect to cash and bank balance which is at variance with Kshs. 286 reflected in the cash book and bank reconciliation resulting to unexplained and unsupported variance of Kshs. 50,874.

Management Response

The management concurred with the auditor's observation and highly regrets the oversight. However, in the subsequent financial years the reconciled cash book balance has been used as cash and cash balance.

Committee Observations

The Committee observed that the management did not reconcile the book of accounts thus resulting into a variance of Kshs. 50,874.

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.

3.0 Unsupported Bursary Disbursements

The statement of financial performance reflects bursary disbursement of Kshs. 3,286,789 relating to bursary disbursed to needy students in various secondary schools. However, bursaries amounting to Kshs. 2,742,789 were not supported with acknowledgement receipts from the respective institutions or evidence that they were received by the intended beneficiaries.

Management Response

The management concurred with the auditor's findings about Unsupported Bursary Disbursement at the time of audit. This was occasioned by the disruption of learning calendar in all learning institutions during Covid-19. However, the management has made available the acknowledgement of receipts.

Committee Observations

The Committee observed that acknowledgement receipts of disbursement of Kshs. 2,742,789 were not provided due to disruptions caused by Covid-19. The receipts were later provided for audit review.

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 line with section 62(2) of the Public Audit Act in the subsequent audit cycle.

OTHER MATTERS

1.0 Budgetary Control and Performance

1.1 Revenue Analysis

The statement of comparison of budget and actual amounts reflects final receipt budget and actual on comparative basis of Kshs.135, 000,000 and nil, respectively. No explanation was provided for failure by the county Executive to remit funds to bursary account during the year under review.

Management Response

The management concurred with auditor's observation on Revenue Analysis that no funds were disbursed in the year under review. However, this was occasioned by the outbreak of COVID-19 pandemic which disrupted learning in all institutions and schools learning calendar was disrupted. Further, the Government suspended public gatherings to try and contain the spread of COVID 19. Due to those developments, the processes of issuing application forms, sorting, verifying and awarding to beneficiaries were made difficult.

Committee Observations

The Committee observed that there was no budgetary allocation for the bursary fund during the period under review due to disruption of learning caused by 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.

1.2 Expenditure Analysis

Further, the statement of comparison of budget and actual reflects that the Fund expended Kshs. 3,419,047 against an approved budget of Kshs. 135,000,000 resulting to an under-expenditure of Kshs. 131,580,953 or 98% of the budget.

Management Response

The management concurred with the auditor's observation on Expenditure Analysis in the year under review. The figure of Kshs. 3,419 047 disbursed was the balance brought forward from the previous financial year (FY 2018/2019). In FY 2019/2020 Kshs.135, 000,000 was approved in the final budget but due to Covid19 pandemic the bursaries program was stopped.

Committee Observations

The Committee observed that the Fund expended Kshs. 3,419,047 against an approved budget of Kshs. 135,000,000 resulting to an under-expenditure of Kshs. 131,580,953 or 98% of the budget as the bursary program was stopped after the outbreak of Covid during the financial year.

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 FOURTEEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KWALE COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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 an **Unqualified Opinion** on the financial statements of the Kwale County Bursary 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 reflects final revenue budget and actual on comparable basis of Kshs.440,000,000 which was fully disbursed. Similarly, the Fund expended Kshs.407,841,567 against an approved budget of Kshs.440,000,000 resulting to an under-expenditure of Kshs.32,158,433 or 7% of the budget.

The underperformance affected the planned activities and 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.32,158,433 or 7% 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 –

Inadequacy of the Enabling Legislation

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.

In this regard, the Fund was not consistent with the law.

Management Response

No response was provided.

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 Governor ensures 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 2019/2020

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 2019/2020. 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 an **unqualified opinion** on the financial statements of the Laikipia County Bursary Fund for the financial year under review on the following basis-

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 –

Budgetary Performance and Wasteful Expenditure

The statement of comparison of budget and actual amounts reflects approved budgeted receipts and expenditure of Kshs. 50,000,000 each, against actual receipts and expenditure amounts of Kshs. 1,300,000 or 2.6% and Kshs. 1,840,252 or 3.7% Respectively an indication of unsatisfactory performance and therefore denying needy students the much-needed bursary for fees. Further, during the year under review, the Fund Administrator spent an amount of Kshs. 799,400 on Fund administration expenses or 78.9% of the total expenditure on bursaries and scholarship totaling Kshs. 1,013,500 which appear wasteful use of public resources contrary to Section 162(2) (b) of the Public Finance Management Act, 2012 which states that every public officer shall ensure that the resources within the officer's area of responsibility are used in a way that is lawful and authorized and effective, efficient, economical and transparent.

In the circumstances, the Fund's Management breached the law.

Management Response

The Expenditure of kshs 1,013,500 relates cheques replacements relating to corrected errors made during the bursary exercise for FY 2018/19, while the expenditure of Kshs 799,400 relates to fund administration expenses incurred during the FY 2019/20.

These kshs 799,400 administrative expenses were incurred in the course of the bursary review and awarding process for the 15 wards' committees involved in receiving, reviewing applications and awarding of bursaries and scholarships to needy students from Laikipia County.

The FY 2019/20 annual budget for the Bursary Fund was kshs 50, million against which nothing was received for utilization due to the outbreak of Covid-19 virus which led to indefinite closure of all educational and training institutions. This led to the bursary exercise being put to a hold until learning resumed in February 2021. Therefore, the expenditures of kshs 799,400 and kshs 1,013,500 were legitimately incurred in preparation for and disbursement of the Kshs 50 million to the identified beneficiaries as well as replacement of cancelled cheques respectively.

Table I illustrates in details the composition of funds available and expended during the period under review.

Table I- Revenue & Expenditure analysis FY 2019/2020

	Description	**Amount (Kshs)**
1	**Revenue Budget (not disbursed)**	**50,000,000**
2	Receipts from Reversed/ cancelled Cheques	1,300,000
3	Cash & Cash Equivalents B/F from 2018/2019	10,411,505
	Funds Available for expenditure	**11,711,505**
4	**Less:** Expenditure during the year (1,013,500+799,400+27,352)	(1,840,252)
	Cash & Cash Equivalents C/F in 2019/2020	**9,871,253**

Committee Observations

The Committee observed that-

i. The fund had a revenue shortfall of Kshs. 48,700,000 or 97.4% of its budget during the financial year under review.
ii. The fund failed to absorb Kshs. 48,159,748 or 96.3% of its budget during the financial year under review, due to the closure of schools cause by the Covid-19 pandemic.
iii. 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—

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 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 SIXTEEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR LAMU COUNTY BURSARY AND SCHOLARSHIP FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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-

1.0 Undisclosed Fund Administrative Expenses

As disclosed in Note 2 to the financial statements, the statement of receipts and payments reflects Kshs. 4,313,050 in respect to Fund administrative expenses. However, examination of the respective Fund administrative expenses ledgers provided for audit review revealed that the Fund incurred Kshs. 7,380,550 in respect of Fund administrative expenses composed expenses paid and accrued in the year of Kshs. 4,313,050 and Kshs.3,067,500 respectively. Further, the accrued Fund administrative expenses of Kshs.3,067,500 has not been disclosed in the statement of financial position as at 30 June, 2020.

In the circumstances, the balances disclosed in the financial statements for the year ended 30 June 2020 are not accurate and complete.

Management Response

The Lamu County Bursary and Scholarship Fund had presented the Fund Administration ledger as shown below.

ADMINISTRATIVE EXPENSES-LEDGERS

UTILITIES SUPPLIED AND SERVICES

DATE	PAYEE	CATEGORY	DETAILS	CB.VNO.	CHEQUE NO	AMOUNT	PAID

The column 7 (AMOUNT) represent budget estimate of each economic item under the Fund Administrative expenses including utilities supplies and service, communication, domestic subsistence, and travel cost among others. This column was for reference and tracking purpose of cheques withdrawn for standing imprest and other related programmes.

Column 8 (PAID) is the actual expenditure incurred under this economic item. Kindly note that entries in column 7 are not cost incurred (Commitment) but budget estimates. Therefore, the amount paid was Ksh. 4,313,050 as disclosed in Note 2 of the financial statement which shows true status of the fund administrative expenditure.

Kindly see amended Lamu County Bursary and Scholarship Fund Administrative ledger of Ksh. 4,313,050.

Committee Observations

The Committee observed that although the management clarified that the amount paid was Ksh. 4,313,050, they failed to provide an explanation for the non-disclosure of the accrued expenses of Kshs.3,067,500.

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. Cash and Cash Equivalents

As disclosed in Note 6 to the financial statements, the statement of financial position reflects cash and cash equivalent balance of Kshs. 13,022,482 as at 30 June, 2020. However, audit review on the respective cash book and cheque counterfoils revealed that two (2) transactions amounting to Kshs.154,600 made through cheque no.4768 of 10 March 2020 and cheque no.4777 of 11 March 2020 for Kshs.64,600 and Kshs.90,000 respectively were not posted to the cash book. This is contrary to Section 100 of the Public Finance Management (County Governments) Regulations, 2015 that requires Accounting Officers to properly maintain cash books and other records for cash received and payments made.

In the circumstances, the accuracy and completeness of cash and cash equivalent balance of Kshs. 13,022,482 as at 30 June, 2020 could not be confirmed.

Management Response

The Lamu County Bursary and Scholarship Fund maintains cashbook register and excel sheet of the cashbook. To minimize posting errors the cashbook is first typed in excel format before being transferred in the cashbook register. Cheque 4768 of Ksh. 64,600 was erroneously omitted when copying to the cashbook register.

Cheque 4777 date 11/3/2020 of Ksh. 90,000.00 was not posted in the cashbook because it was a dishonored cheque due to lack of all mandatory signatures. (Cashbook extract for the month of March and copy of the cancelled cheque no. 4777).

Committee Observations

The Committee observed that-

i. The omission of Cheque 4768 of Ksh. 64,600 from the cashbook was a clerical error.
ii. Cheque 4777 date 11/3/2020 of Ksh. 90,000 was not posted in the cashbook as it was a dishonored cheque.

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.**

Bursary and Scholarship Disbursements

The statement of financial performance reflects Kshs. 153,567,805 in respect to bursary disbursement for the year ended 30 June 2020. However, examination of the expenditure records and other relevant documents provided for audit review revealed bursary disbursement amounting to Kshs. 12,103,693 had not been acknowledged by way of official receipts or acknowledgement letters by the beneficiary institutions. In the absence of official receipts and acknowledgement letters, it was not possible to ascertain whether the funds were used for the intended purposes.

Consequently, the propriety and lawfulness of bursary disbursements amounting to Kshs.12,103,693 for the year ended 30 June 2020 could not be confirmed.

Management Response

Financial year 2019/2020 was adversely affected by the Corona pandemic that forced all learning institutions to be closed. The National Government also imposed cessation of movement from one county to another. As a result, the fund management could not go to schools to collect official receipt nor receive acknowledgement from schools.

The Board is following up with the various schools to furnish us with receipts and or acknowledgement of the payments made to them.

To avoid such a situation in the future, the Board has now made it a mandatory requirement for all bursary and scholarship beneficiaries to attach an official receipt of previous bursary monies paid for their account before they are awarded new bursaries and scholarships.

Committee Observations

The Committee observed that the management failed to provide acknowledgment letters and official receipts in support of bursary disbursements amounting to Kshs. 12,103,693 for audit review.

Committee Recommendations

The Committee recommends that—

i. **The Ethics and Anti-Corruption Commission (EACC) conducts investigations on the matter and provide 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 line with section 62(2) of the Public Audit Act in the subsequent audit cycle.

CHAPTER SEVENTEEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MACHAKOS COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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. Unsupported Bursary Disbursements

As disclosed in Note 8 to the financial statements, the statement of financial performance reflects Kshs. 88,431,327 in respect of general expenses which includes Kshs. 88,301,373 in respect of bursaries disbursements during the year under review. However, the following anomalies were noted.

i. The payments were not supported with details of individual beneficiaries and the amounts awarded.

Management Response

The list of beneficiaries is prepared by Ward Bursary Committees in all the 40 wards as stipulated in the Machakos County Bursary regulation 2014. A summary of all the beneficiaries in the County for FY. 2019/2020 amounting to Kshs. 88,301,373 has already been forwarded both in soft and hard copies for review.

ii. There was no evidence to show how the beneficiaries were determined.

Management Response

The Machakos County Bursary Fund regulations section19 gives power to Ward Bursary Committees to vet the applicants guided by the following criteria;

a) Poverty level/Vulnerability of the applicants
b) Population within Machakos County

c) Fund available per ward
d) Need to be fair and rational towards distribution of public resources

The Committees conducted public participation in line with the Constitution of Kenya (2010), Chapter 11, Article 174(c) where applicants filled application forms. The application forms were endorsed by area chief, opinion leaders, educationist or church leaders and formed the Machakos County list of applicants the FY. 2019/2020.

The Ward Bursary Committees vetted the list of applicants and generated a list of beneficiaries which was then forwarded to County Bursary Committee for approval and fund disbursement. At the same time, the lists of unsuccessful and successful applicants were pinned on chief's camp and ward offices for public access and verification.

Management attached some of the sample copies of minutes and list of beneficiaries that they received from the Ward Bursary Committees after vetting exercise of applicants for various financial years.

iii. Notifications were not sent to both successful and unsuccessful applicants, as required under paragraph 22(3) and (4) of Machakos County Bursary Fund Regulations, 2014.

Management Response

The management notified the successful and unsuccessful applicants through the following modes;

1) Bulk Short Message Services (SMS)
2) List of successful applicants was pinned to all Wards/Chief's Offices
3) Announcements foe successful and unsuccessful were in Churches, barazas and mosques

Additionally, the mode of communication has been enhanced to have barazas and take photos of all post issuance bursary meetings across the 40 wards. Management attached successful and unsuccessful applicants list pinned in ward offices for verification.

iv. Acknowledgement receipts from receiving institutions were not provided for audit.

Management Response

The management has a system of following up and ensuring that institutions receiving the bursary fund cheques bring acknowledgement receipts either to Wards or Department of Education offices. During FY. 2019/2020, the acknowledgement receipts had been held up at ward offices because it was during Covid-19 period. The ward administrators and other Department of Education Officers had phobia of handling physical documents because it was one of the ways of transmitting the pandemic. All

these documents are now available at the office. Some of these acknowledgement receipts files were forwarded for audit verification and confirmation that they received them.

In the circumstances, the accuracy, completeness and validity of the Bursaries balance of Kshs. 88,301,373 for the year could not be ascertained. Further, it was not possible to confirm whether the beneficiaries were determined using a fair criterion as set out under paragraph 19 of Machakos County Bursary Fund Regulations,2014.

Committee Observations

The Committee observed that whereas the following documents were submitted and verified by the auditor, it constitutes an offence under section 62(2) of the Public Audit Act—

i. The list of individual beneficiaries and the amount awarded for the bursary fund was not provided but was later presented after the audit.
ii. Ward Bursary Committees vetted the list of applicants using a set criterion and generated a list of beneficiaries which was then forwarded to County Bursary Committee for approval and fund disbursement.
iii. The management sent communication using various means to the successful and unsuccessful applicants of the bursary fund.
iv. Management provided acknowledgement receipts from various institutions confirming that they received the bursaries.

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 line with section 62(2) of the Public Audit Act in the subsequent audit cycle.

Other Matter

1. Budget Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 230,000,000 and Kshs. 93,575,000 respectively resulting to a shortfall of Kshs. 136,425,00 or 59% of the budget. Further, the statement reflects a final expenditure budget and actual on comparable basis of Kshs. 230,000,000 and Kshs. 92,344,267 respectively, resulting to underutilization of Kshs. 137,655,733 or 60% of the approved budget.

In addition, contrary to paragraph 24 of the International Public Sector Accounting Standards (IPSAS) no explanation was provided for the differences of 10% or more between budget and actual amounts.

The under-funding and under-performance may have negatively affected service delivery to citizens due to failure to provide bursaries to the needy students in the County.

Management Response

The management endeavours to provide optimum service delivery to her citizens and particularly to vulnerable/needy students in Machakos County. However, the county faced under-funding challenges in FY. 2019/2020 which was occasioned by under realization of own source revenue and delayed exchequer releases. The County Government struggled to realize the expended revenue targets due to the Corona virus which was confirmed to have reached Kenya on 12th March 2020. Several projects including the Bursary Fund were adversely affected. Additionally, during the same financial year, the Government of Machakos had to channel all the limited resources received towards combating the pandemic and especially on medical drugs and isolation/quarantine centres. This led to some of the projects such as Bursary Fund to be underfunded and hence under-performance. However, this did not happen in subject financial years. Notably, the schools closed down for several months during the Covid-19 period leading to low absorption of Bursary Fund.

Committee Observations

The Committee observed that—

i. there was under-funding of 59% as the Fund budgeted for Kshs. 230,000,000 but received Kshs. 93,576,000.
ii. there under-utilization of 60% as out of the expected expenditure of Kshs. 230,000,000 the Fund expended Kshs. 92,344,267 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 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. Non-adherence to Bursary Guidelines

Paragraph 10(1) b of Machakos County (Bursary Fund) Regulations, 2014 gives the Bursary committee the responsibility to determine, approve and review policies for administering the Fund. The bursary administration guidelines issued by the Fund Management require bursary committees to ensure that only the neediest and vulnerable students benefit from bursary awards. In addition, the guidelines have set bursary minimum and maximum amounts to be awarded to different categories of successful applicants ranging from Kshs. 2,000 for day scholars in Secondary Schools to a maximum of Kshs. 15,000 for students in tertiary institutions.

However, verification of bursary disbursements for the year revealed that, the set guidelines were not complied with. Uniform amounts of as low as Kshs. 1,000 were paid out to all applications without ranking them based on their vulnerability as stipulated in the Fund Guidelines and Regulations. In addition, bursaries were paid to students in private universities casting doubt as to whether they were deserving.

In the circumstances, Fund management has not complied with the provisions of the bursary award guidelines and the Fund's Regulations and it was not clear whether the objective of providing financial assistance to needy and vulnerable students was achieved.

Management Response

The Machakos County Bursary Regulations vests the mandate of determining how much each beneficiary is supposed to receive on the County and Ward Bursary Committees. Some of the wards received enormous number of applicants yet the Bursary Funds were limited due to corona crisis. As a result, they opted to issue Kshs. 1,000 in order to ensure all the shortlisted beneficiaries receives an amount to cushion them during the pandemic period. The private universities bursary beneficiaries were needy students who benefited from the bursary after successful vetting at Ward Bursary Committees. It's worth to note that even vulnerable/needy students join private universities. It's important to note that there was no loss of public fund because all were Machakos County beneficiaries.

The management will petition the County Assembly to amend the Machakos County Bursary regulations in order to explicitly define how much should be allocated to different clusters of needy/vulnerable applicant. Currently, the management managed

to comply with all the set County Bursary Committee guidelines by ensuring that the 2023/2024 bursary funds are distributed based on need/vulnerability level of the beneficiaries.

Committee Observations

The Committee observed that management opted to issue Kshs. 1,000 to needy students, instead of the amount put under the Fund Guidelines and Regulations due to the large numbers in different wards due to the corona crisis.

Committee Recommendations

The Committee recommends that the County Executive should amend the Machakos County Bursary regulations and come up with a refined Bursary Fund Framework in order to explicitly define how much should be allocated to the different clusters of 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. **Loss of Funds through fraud**

The statement of financial position reflects a cash and cash equivalents balance of Kshs. 1,553,010. However, the respective bank reconciliation statement reflects payments in bank statements but not recorded in the cash book totalling to Kshs. 228,508 which comprised differences between amounts in cheques issued and those cleared by the bank attributed to alterations on cheques.

In addition, Fund Management did not provide evidence of investigations on the fraud and actions taken against the culprits or measures adopted to ensure that such incidences do not recur in future.

Management Response

The management detected an alteration of the amounts in figures and words in the three cheques during monthly reconciliations exercise. Immediately, the management made a follow up with the bank on the three issued identified. Official letters were also issued to the institutions seeking certified receipts of the beneficiaries, details of the person who presented the cheque to the institutions and an explanation on how the alterations occurred. A team from the department visited the institutions to establish at what point the cheques might have been altered. In the process, it was established that the

alterations might have been made by the presenters of cheques to bank. As a result, the three cases relating to SA Mutheini, Mwangaza and Thongoni Secondary schools had to be reported to investigative authorities for action. Currently, the management has been consulting with the banks and beneficiaries' institutions in order to avoid similar cases of cheques alteration.

Further, the management conducts proper audit trail to establish the person who presents cheques to the school and banks. Currently, they also share Excel sheets containing details of their beneficiaries to the Kenya Commercial Bank (KCB)- Machakos for quick verification of all details and especially on amount per beneficiary before clearing any cheques.

Committee Observations

The Committee observed that—

i. there were alterations on the cheques presented and issued an investigation on the presenters of the cheques which is currently ongoing.
ii. Management is currently sharing details of beneficiaries to KCB for verification of details before clearing any cheques.

Committee Recommendations

The Committee recommends that—

i. **The Ethics and Anti-Corruption Commission (EACC) conducts investigations on the matter and provide a status update on the same to the Senate within sixty (60) days from the adoption of this report; and**
ii. **the management should have electronic fund transfers to avoid alterations to the cheques which can lead to loss of funds that are intended for the needy students.**

CHAPTER EIGHTEEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MANDERA COUNTY EDUCATION BURSARY FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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 an **Adverse Opinion** on the financial statements of the Mandera County Education Bursary Fund for the financial year under review on the following basis-

1. Inaccuracies in the Financial Statements

1.1 Unsupported Balances

The Statement of financial performance reflects other income of Kshs. 10,870,108. However, the balance was not supported with corresponding disclosure note, detailed schedules or ledgers analyzing the balance. Further, the numbering of the notes for the financial statements were incorrectly presented, as the numbering of the disclosure notes against the numbering in the financial statements are different.

In addition, the schedule supporting staff cost availed for audit review was Kshs. 1,669,500 while the note reflected a balance of Kshs. 11,178,808 on staff cost resulting to unexplained variance of Kshs.9,509,308. Similarly, the schedule supporting bursary disbursement to institutions reflected an amount of Kshs.36,430,794 while Note 3 reflected a balance of Kshs.28,686,968 on the same item resulting to unexplained variance of Kshs.7,743,826 between the schedule and the financial statements.

In the circumstances, the accuracy of the financial statements for the year ended June, 2020 could not be confirmed.

Management Response

The figure of Kshs. 10,870,108 disclosed in the statement of financial performance as other income relates to unspent balances from the previous financial year (i.e. 2018/2019). However, the correct figure should have been Kshs. 9,092,801.27 as shown in the statement of financial performance as a surplus for comparative period figure for financial year 2018/2019. The figure has also been disclosed as a cash and cash equivalent in the statement of financial position and the statement of cash flow as supported by note no.4 of the financial statement for comparative period of financial year 2018/2019. It is true that the figure is not supported by a disclosure in the note because it was erroneously deleted leading to disparities in numbering of the notes and the financial statement as noted by the auditor.

Copies of extracts of the financial statements and bank statements showing the balances is available for review.

The schedule presented for audit review disclosed the correct figure of Kshs. 1,669,500 for staff cost as noted by the auditor. The difference of Kshs. 9,509,308 between the schedule presented for audit as staff cost of Kshs. 1,669,500 and the figure disclosed in the financial statement of Kshs. 11,178,808 is the monies disbursed to schools and institution as bursaries but was erroneously classified as staff cost. The auditor also noted this misclassification in query number 2 on unaccounted for bursary disbursement.

The schedule presented for audit supporting bursary disbursement to institutions reflected the correct amount of Kshs. 36,430,794 as seen by the auditor and not Kshs. 28,686,968 as reflected Note 3 of the financial statement. This variance is explained by difference in staff cost as queried by the auditor in the second paragraph of this question.

Copies of statement of financial performance, statement of financial position, statement of cash flow, note 4 of the financial statements, bank statements, schedule for staff cost and payment vouchers are available for review.

Committee Observations

The Committee observed that-

i. The management failed to provide a disclosure note, detailed schedules or ledgers analyzing the other income balance of Kshs. 10,870,108 for audit review.
ii. The variances of Kshs.9,509,308 and Kshs.7,743,826 were as a result of an error of misclassification which is yet to be corrected therefore, the query remains unaddressed.

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 line with section 62(2) of the Public Audit Act in the subsequent audit cycle.**

1.2 Depreciation

Note 5 to the financial statements reflects property, plant and equipment comprising of two category of assets being furniture and computers costing Kshs.930,000 and 294,000 respectively. However, the net book value of the assets as at 30 June, 2020 was not

captured in the property, plant and equipment movement schedule. Further, although a total accumulated depreciation of Kshs.489,600 had been charged to the asset, the same was not disclosed in the statement of financial position.

Consequently, the accuracy, validity and completeness of accumulated depreciation balance of Kshs.489,600 as at 30 June, 2020 could not be confirmed.

Management Response

The net book value of the assets as at 30 June, 2020 is clearly disclosed in the property, plant and equipment movement schedule as Kshs 558,000 for furniture and fittings and Kshs. 176,800 for computers and office equipment as shown in note 5 of the financial statement.

The net book value figure of Kshs. 558,000 for furniture and fittings was arrived at after charging accumulated depreciation cost of Kshs. 372,000 on the cost of Kshs. 930,000. Similarly, the net book value figure of Kshs. 176,800 for computers and office equipment was arrived at after charging accumulated depreciation cost of Kshs. 117,600 on the cost of Kshs. 294,000. The auditor missed out on this disclosure due to misalignment in the property plant and equipment movement schedule.

The total accumulated depreciation figure of Kshs. 489,600 is not charged to the statement of financial position but charged to the statement of changes in net assets as required by the official financial reporting templates issued by the Public Sector Accounting Standards Board. Rather what is charged to the statement of financial position is the provision for depreciation.

Copies of property, plant and equipment movement schedule on note 5 of the financial statement, and extract of the statement of financial position from the official financial reporting template are available for audit review.

Committee Observations

The Committee observed that-

i. the management clarified that the net book value of the assets was captured in the property, plant and equipment movement schedule although, the schedule was not properly aligned.
ii. The management clarified that total accumulated depreciation figure of Kshs. 489,600 was charged to the statement of changes in net assets as required by the official financial reporting templates issued by the Public Sector Accounting Standards Board.

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 Statement of Changes in Net Assets and the Statement of Financial Position

The statement of changes in net assets for the year under review revealed that the column for the totals were not included. The balances were not correctly reflected under their correct financial years hence the statement is materially misstated.

Further, the comparative balances for the statement of financial position was not fully indicated and some of the figures were missing.

Consequently, the closing balance of the statement of changes in net assets for the financial year 2019/2020 could not be confirmed.

Management Response

These errors occurred due to the transition to cash basis accounting, which led to misalignment and omissions in the presentation of financial data.

Committee Observations

The Committee observed that the discrepancies and omissions in the financial statements resulted from the transition to cash basis accounting and have yet to be 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.**

1.4 Non-Submission of a Trial Balance

During the year under review, Management did not submit a trial balance for audit.

In the circumstance, the accuracy of the financial statements could not be confirmed in the absence of a trial balance.

Management Response

The trial balance is not included in the official Financial Reporting Template issued by the Public Sector Accounting Standards Board, and thus it is not part of the Financial Statements submitted for audit. Nonetheless, since it is an internal accounting document, the management has prepared the trial balance and is available for audit review.

Copy of official financial reporting template and trial balance.

Committee Observations

The Committee observed that whereas the Trial Balance 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 line with section 62(2) of the Public Audit Act in the subsequent audit cycle.

1.5 Late Submission of the Financial Statements

During the year under review, the Fund submitted their financial statements for audit on 21 October, 2020 almost one month after the statutory deadline of 30 September 2020. This is contrary to the requirements of Section 101(4) of the Public Finance Management (County Governments) Regulations, 2015.

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

Management Response

It is true that the financial statements were submitted past the statutory deadline of September 30th. This delay was primarily due to the COVID-19 restrictions imposed by the National Government to mitigate the spread of the pandemic. Mandera, being one of the first counties affected by the virus, was under lockdown at the time. Consequently, complying with the submission timelines became challenging amidst the restrictions.

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.

1.6 Property, Plant and Equipment

Note 5 to the financial statements discloses that during the year ended 30 June, 2020, the Fund had property, plant and equipment with a net value of Kshs.734,800 after charging a depreciation expense of Kshs.244,800. However, the Fund Management did not maintain an asset register showing the asset tag number for identification of assets owned by the Fund. In addition, the Fund Management has no depreciation policy in place to provide guidance on the different depreciation rates to be applied on different asset classes.

The property, plant and equipment balance reflected under Note 5 was not disclosed in the statement of financial position.

In view of the foregoing, the accuracy, validity and completeness of the net assets balance of Kshs.78,713,526 in the statement of financial position as at 30 June, 2020 could not be confirmed.

Management Response

The fund maintains an asset register that is prepared in conformity with the official templates provided in the Accounting and Financial Reporting manual. The register is available for audit review.

The fund has a draft depreciation policy.

The management has maintained an asset register for the assets of the fund. However, we acknowledge the need to enhance this register by implementing asset tagging for clearer identification. Moving forward, we commit to tagging our assets and establishing a comprehensive depreciation policy to guide depreciation rates for different asset classes. These measures will enhance transparency and accuracy in financial reporting, aligning with industry standards and best practices.

The netbook value of property plant & Equipment of Ksh 734,800 is disclosed in the statement of financial position. The net assets balance of Ksh 78,713,526 disclosed in the statement of financial position is correct and accurate. The figure includes a bank balance of Ksh 77,978,726 and the Net Book Value of Asset of Ksh 734,800.

Copies of asset register, draft depreciation policy, statement of financial position, and bank statement are available for audit review.

Committee Observations

The Committee observed that-

i. whereas the asset register was provided to the Auditor-General, the register was incomplete and 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 netbook value of property plant & Equipment of Ksh 734,800 was disclosed within the net assets balance within the financial statements.

Committee Recommendations

The Committee recommends that-

i. **The Accounting Officer ensures that the Fund maintains an up-to-date asset register as required by section 149(2)(o) of the Public Finance Management Act, Cap.412A, and in the format prescribed by the Public Sector Accounting Standards Board (PSASB) and the Fund to carry out a valuation of all its assets and submit the same to the Office of the Auditor-General and the Senate within 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. Unaccounted for Bursary Disbursement

During the financial year under review, Management disbursed a total of Kshs.28,686,968 as bursaries to various institutions which included Kshs.8,691,379 which was not supported with documents such as invoice and fees structure. In addition, there was no acknowledgement receipts from the Universities. Further, out of the Kshs.8,691,379 an amount of Kshs.850,000 had no payment voucher for the expenditure.

It was noted that Kshs. 10,441,238 relating to administration cost was wrongly classified under bursary disbursement and therefore increasing the administration costs above the 5% required by Section 16 of the Mandera County Education Bursary Act, 2014.

Consequently, the propriety of the expenditure on Bursary disbursement of Kshs. 8,691,379 as at 30 June, 2020 could not be confirmed.

Management Response

The management faced challenges in obtaining acknowledgment receipts from various beneficiary institutions due to the need for these institutions to confirm the clearance of issued cheques with their respective banks.

The Mandera County Education Bursary Act restricts administration costs to 3% of the total fund, which is a very limited resource. This limitation hampers the management's ability to obtain acknowledgment receipts from every benefiting student and institution across the country. Additionally, the fund has a constrained number of staff members.

To streamline the process, the board issues a single cheque for multiple students in one school or higher learning institution, accompanied by a letter for acknowledgment along with a list of students. However, given the geographical distances and the limited resources, the fund cannot afford to send a staff member to deliver each cheque by hand. In such instances, cheques are issued to parents with the expectation that they will present them to the school especially when there is urgency because the school calendar is around the corner and students are prevented from sitting for the examinations. Unfortunately, this approach may result in some parents forgetting to send the acknowledgment receipt back to the board on time.

The payment vouchers for the Ksh. 850,000 was presented for audit but may have got misplaced during the movement and scrutiny of the documents audit period. The vouchers have since been traced and retrieved and available for review.

As observed by the auditor in query number 1.1 on the unsupported balances, the variance between the supporting schedule presented for audit on bursary disbursement to institutions of Kshs. 36,430.794 and the figure of Kshs. 28,28,686,968 reflected in note 3 of the financial statement explains the misclassification of monies disbursed to schools and institutions but erroneously classified as staff cost as again observed by the auditor in this query. Thus, there is no loss of funds.

Copies of acknowledgement receipts, Mandera County Bursary Act 2014, extracts of amendment to the Act, payment vouchers for Ksh. 850,000, note 3 of the financial statements are available for review.

Committee Observations

The Committee observed that whereas the invoice, fees structure, acknowledgement receipts and payment vouchers 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

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, Management has not resolved the issues and has not given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board template.

Management Response

The management maintained 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 periodically discussed by the Mandera County Assembly Education Committee.

Further, the board has implemented stringent internal control measures to enhance compliance with the Public Finance Management Act 2012, the Mandera County Education Bursary Act, and other relevant legislation, thereby ensuring the proper management of limited public resources.

This includes the automation of the bursary application process to facilitate the effective, and equitable allocation of bursaries to deserving students in need.

Copies of evidence of correspondence with the auditor, Mandera County Assembly Committee report, evidence of automation of bursary are available for 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 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 NINETEEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MARSABIT COUNTY EDUCATION FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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. Cash and Cash Equivalents

The statement of financial position for the year under review reflects Kshs. 3,724,425 in respect to cash and cash equivalents as at 30 June, 2020. However, respective bank reconciliation statements were not provided for audit review.

Management Response

The bank reconciliation statement, bank balance certificate and cash book extract as at 30th June 2020 showing the accuracy and completeness of the Cash and cash equivalents balance of Kshs. 3,724,425 is provided for your review.

Committee Observations

The Committee observed that whereas the bank reconciliation, certificate and cashbook extract to show cash and cash equivalents of Kshs. 3,724,425 were provided and verified by the auditor, the submission was outside the timelines which constitutes an offence under section 62(2) of the Public Audit 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. Unaccounted for Bursary Fund

Unaccounted for Bursary Fund as disclosed in Note 3 to the financial statements, the statement of financial performance reflects Kshs. 60,650,541 in respect to general expense/bursary award disbursed to various institutions. However, supporting documents including the Ward Education Fund Selection Committee minutes were not provided for audit review. It was therefore not possible to confirm the total applicants (longlist), successful applicants (short list) and selection criteria and the objectivity, equity and fairness of the vetting process.

Management Response

The County Education Fund Committee set the minimum threshold for application of bursary for FY 2019-2020. The application of the bursary for University/Colleges/VTCs and Secondary students were submitted at the ward level for only those students who met minimum threshold on designated courses (highlighted in Marsabit County Education Act 2018 for University Students) and marks (300 and 320 marks for girls and boys).

The Committee Minutes and list of beneficiaries are attached for your review.

Committee Observations

The Committee observed that whereas the committee minutes showing the selection criteria and list of beneficiaries were provided and verified by the auditor, the submission was outside the timelines which constitutes an offence under section 62(2) of the Public Audit 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. Statement of Changes in Net Assets

The statement of changes in net assets for the year ended 30 June, 2020 reflects a balance of Kshs. 466,170 and Kshs. 3,724,425 in respect to accumulated surplus as at 30 June,2019 and as at 30 June,2020 respectively. However, re-casting the balances

gave Kshs. 60,466,170 and Kshs. 126,466,170 respectively resulting to unexplained variance of Kshs. 60,000,000 and Kshs. 122,741,745. ln addition, the statement of financial performance for the year ended 30 June, 2020 reflects Kshs. 3,258,255 in respect to surplus for the year. However, the statement of changes in net assets reflects a nil balance on the same item resulting to an unexplained variance of Kshs. 3,258,255.

Management Response

The variances noted of Kshs. 60,466,170 and Kshs. 126,466,170 for the FYs 2018-2019 and 2019-2020 respectively in the statement of changes in net assets were occasioned by typographical errors that included funds received during the years of Kshs. 60,000,000 and Kshs. 66,000,000 and which were not supposed to be part of the accumulated surplus/deficit balances during the FY.

The management appreciates the finding that the surplus/deficit for the FY 2019-2020 was inadvertently omitted from the statement of changes in net assets but that notwithstanding the same balance (correct amount) was recognized in the statement of financial position.

Committee Observations

The Committee observed that there were typographical errors and misstatements in the reported balances which resulted in wrong figures in the 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.**

4. Presentation of Financial Statements

The Fund's financial statements for the year under review provided for audit review showed the following anomalies:

1.1 The Public Sector Accounting Standards Board (PSASB) template issued in June, 2020 stipulates that the statement of financial position should include the names and signatures of the Administrator of the Fund and Fund Accountant who should also include his/her institute of Certified Public Accountants of Kenya (ICPAK) member number. However, the financial statements do not include the said details for the Fund Accountant while the signature of the Administrator of the Fund is not visible.

1.2 Page 34 to 38 in the financial statements contains "xxx" in the body of the report which is not customize to capture the Fund's information.

1.3 The Fund's financial statements at pages 18,20,21 ,34 to 40 contains tables whose headers are not visible and illegible.

1.4 Page 41 and 42 to the financial statements are not paginated.

1.5 The Fund's financial statements at page 1 reflects a table of content indicating that the statement of changes in net assets is "as at 30 June, 2020" instead of the "for the year ended 30 June" contrary to lnternational Public Sector Accounting Standards (IPSAS).

Management Response

The management used Public Sector Accounting Standards Board (PSASB) template issued in 2019 instead of using the reporting template issued in June 2020. The management is in agreement with auditor's observation and will prepare the subsequent financial statements in accordance with the appropriate reporting format templates prescribed by PSASB.

Committee Observations

The Committee observed that the financial statements were prepared according to the 2019 PSASB reporting template instead of using the June 2020 reporting template.

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

1.0 Budgetary Control and Performance

1.1 Expenditure Analysis

The statement of comparison of budget and actual amount for the year ended 30 June, 2020 reflects approved expenditure budget of Kshs. 66,466,170 and an actual expenditure of Kshs. 62,741,745 resulting to under expenditure of Kshs. 3,724,425.

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.

Committee Observations

The Committee observed that the Fund had an expenditure budget of Kshs. 66,466,170 and expended Kshs. 62,741,745 resulting to under expenditure of Kshs. 3,724,425.

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.

1.2 Unbalanced Budget

The statement of comparison of budget and actuals amounts reflects of Kshs. 66,000,000 and Kshs. 66,466,170 in respect to approved receipts and expenditure respectively resulting to Kshs. 466,170 budgeted expenditures without corresponding budgeted receipts contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that budgeted revenue and expenditure appropriation shall be balanced.

Management Response

The statement of comparison of budget and actuals amounts was not appropriately updated on the revenue side with the unspent balance from FY 2018-2019 of Kshs. 466,170 and thereby creating an impression of budget imbalance of an equivalent amount. All the expenditure during the FY 2019-2020 was fully supported by the monies from Marsabit County Education Fund.

Committee Observations

The Committee observed that 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 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;**

ii. **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**

iii. **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 2019/2020

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 2019/2020. 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 a Qualified Opinion on the financial statements of Migori County Ward Development Fund for the period under review on the following basis –

1. Presentation of the Financial Statement

1.1 The statement of comparison of budget and actual are indicated 'as at and for the period' ended 30th June 2020 instead of year ended 30 June, 2020 contrary to the requirement of Section 66 (a) of IPSAS 1 on the presentation of financial statement.

1.2 The financial statement availed for review did not reflect progress on follow up of auditor's recommendations and annextures on analysis of pending staff payables, analysis of other pending payables and analysis of outstanding imprest contrary to the Public Sector Accounting Standards Board (PSASB).

1.3 The financial statement availed for audit review did not include the passport size photos, name and concise description of both corporate governance body and management team in the financial statements contrary to Section 2 & 3 the Public Sector Accounting Standards Board (PSASB) template issued in June, 2020

In circumstances, the Fund's Financial Statements for the year under review are not prepared in accordance with the IPSAS and as stipulated in PSASB template.

Management Response

The management has noted the auditor's observation and wish to state that going forward the Financial Statement shall be prepared in line with Public Sector Accounting Standards Board (PSASB) template and reporting guideline.

Committee Observations

The Committee observed that the fund prepared financial statements that were not in accordance to the Public Sector Accounting Standards Board (PSASB) template.

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

1.0 Budgetary Control and Performance

1.1 Revenue analysis

The statement of comparison of budget and actual amounts for the year ended 30 June, reflects final receipts budget and actual on comparable basis of Kshs. 150,000,000 and Kshs.147,723,380 respectively resulting to under receipt of Kshs.2,276,620 or 1.5% of the budget.

Management Response

The management has noted the auditor observation and going forward we shall ensure that the fund is fully funded in accordance with the budget.

Committee Observations

The Committee observed that there was an in under funding of Kshs. 2,276,620 or 1.5% 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.

1.2 Expenditure Analysis

The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects expenditure budget of Kshs.748,918,792 and an actual expenditure of Kshs.148,525,307 resulting to an overall under absorption of Kshs.614,881,199. The fund received Kshs.147,723,380 and utilized Kshs.148,523,307 resulting to an over expenditure of Kshs.801,927. The budget was prepared contrary to Regulation 31, c, of the Public Finance Management (County Governments) Regulations, 2015 which provides that the County Government entity budget on revenue and expenditure appropriations shall be balanced.

Further, the overall under funding of the budget by 80% indicates that the Fund did not achieve its intended objectives thus denying residents of Migori County the much-needed services.

Management Response

We have noted the auditor observation and wish to state that the budget of Kshs. 748,918,792 relates to Ward bursaries and community development projects for the respective wards within Migori County Government. However, the community projects were executed in the main Executive Financial Statement and only the Bursary Fund of Kshs. 148,525,307 was transferred and administered through the funds Account. Further, the difference of Kshs. 801,927 was bank balances brough forward from previous year.

Committee Observations

The Committee observed that the Fund had an overall under absorption of Kshs.614,881,199 and also had an over expenditure of Kshs.801,927.

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. Transfers from the County Government

As disclosed under Note 1 to the financial statement is an amount of Kshs.147,723,380 in respect of transfers from the County Government. However, Section 4(2) of Migori County Ward Development Fund Act, 2014 requires an allocation of 10% of the annual budget of the County Government of Migori set aside for the Fund which could have translated to Kshs 972,732,657 out of the annual approved budget of Kshs.9,727,326,575 for the year ended 30 June, 2020.

Consequently, the underfunding by the Migori County Executive negatively affected service delivery to the residents of Migori County.

Management Response

The management concurs with the Auditor's observation and wish to state that the underfunding was due to community projects of Kshs. 608,968,586 considered to be part of the fund, which were budgeted for under the Executive departments' budget instead of the Funds Accounts. Therefore, only bursaries and administrative expenses were budgeted for in the Ward Funds Account. The projects were executed and reported in the main Executive Financial Statement.

Committee Observations

The Committee observed that there was an underfunding by the Migori County Executive to the fund contrary to Section 4(2) of Migori County Ward Development Fund Act, 2014.

Committee Recommendations

The Committee recommends that Migori County Executive strictly adheres to, Section 4(2) of Migori County Ward Development Fund Act, 2014 which requires an allocation of 10% of the annual budget of the County Government of Migori set aside for the Fund.

2. Administration Expenses

As disclosed under Note 2 to the financial statement is an amount of Kshs.39,597,600 in respect of fund administration expenses or 26.60% of the total revenue of Kshs.148,527,586, which exceeded the maximum limit of three percent as set out under Section 18(2) of the Migori County Ward Development Fund Act, 2014. The Act stipulates that out of pocket expenses incurred by any person officially involved in the management of the Fund or the implementation of projects under the Fund, including public officers may be reimbursed but that not more than three percent of the total allocation in the financial year may be used for this purpose.

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

Management Response

We are in agreement with the Auditors observation and wish to state that the expenses of Kshs. 39,597,600 comprises of administrative expense of Kshs. 3,203,375 (3%) incurred towards bursary disbursement activities and Kshs. 36,394,225 which was incurred for monitoring and Evaluation activity carried out to evaluate and report on the community projects executed for the respective wards.

Committee Observations

The Committee observed that the fund administration expenses amounting to Kshs.39,597,600 exceeded the maximum limit of three percent as set out under Section 18(2) of the Migori County Ward 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.

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

A review of the internal controls and risk management processes revealed that the Migori Ward development administrator has not assessed and documented risk related to various business operations systems. Without a documented and approved risk assessment policy means that the Fund was exposed to various operations risks without clear documented mitigation strategies The Fund Administrator should develop and operationalize risk management policy so

that all possible risks are identified and tackled.

Management Response

No Response was given.

Committee Observations

The Committee observed that the Fund had not developed a risk management 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-ONE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MOMBASA COUNTY ELIMU FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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 on the following basis—

1. Budgetary Control and Performance

The Fund had approved expenditure budget of Kshs.161,890,000 voted for the financial year 2019/2020 against actual expenditure of Kshs. 103,245,306, resulting to net under absorption of Kshs.58,644,694 or 36% of the voted amount.

This under absorption indicates that some activities planned for the year were no undertaken which may have had a negative effect on the delivery of goods and services to the residents of Mombasa county.

Management Response

The county government did not realize its own source revenue budget, coupled with delays on exchequer releases hence under-expenditure as indicated by the auditors.

Further, the COVID-19 pandemic affected operations of the county government to the extent that budget adjustments had to be made to accommodate the containment measures.

Committee Observations

The Committee observed that the Fund failed to absorb Kshs.58,644,694 or 36% 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 Payment of Bursaries

As disclosed in Note 6 to the financial statements, the statement of financial performance, reflects payments totalling Kshs.89,559,500 in respect of bursaries.

However, the criteria used to select and vet students to receive bursary were no provided for audit verification. In the absence of such criteria, the objective of the fund which is to support needy and bright students may not be realized. Further, included in Kshs.89,559,500 are bursaries amounting to Kshs.1,433,000 awarded to students with no admission numbers or students with similar names and admission numbers. This is contrary to Section 149(1) of the Public Finance Management Act, 2012 which states that 'An accounting Officer is accountable to the county assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is (a) lawful and authorized; and (b)effective, efficient, economical and transparent.

In the circumstances, the regularity and propriety of payment of bursaries totaling Kshs.89,925,000 could not be confirmed.

Management Response

In the year under audit, bursaries were allocated on a first-come, first-served basis to needy students, which was an administrative process. However, the process for selecting and vetting students to receive bursaries has since been formalized and incorporated into Section 14 of the amended Mombasa County Elimu Scheme Act of 2023.

No students had similar admission numbers, and there were no duplications in the records. The missing admission numbers have been updated as per the attached list. Going forward, the Scheme is collaborating with the Director of Education to compile information on students eligible for bursaries.

Committee Observations

The Committee observed that—

i. The management failed to provide the criteria used to select and vet students to receive bursary. However, the selection process has since been formalized and incorporated into Section 14 of the amended Mombasa County Elimu Scheme Act of 2023.

ii. whereas the admission numbers to support the bursary disbursements amounting to Kshs.1,433,000 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.

2. Inadequacy of the Enabling Legislation

As previously reported, audit review of the Mombasa County Education Development (Amendment) Act, 2017, revealed that the Act does not provide for the procedure for winding up of the Fund.

This is contrary to Regulation 198 of the Public Finance Management (County Governments) Regulations, 2015, which requires the County Executive Committee Member to provide for the management, operation and winding up procedures in the guidelines for establishing each Fund.

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

Management Response

The Mombasa County Elimu Scheme Act, 2023, has now been amended to include the winding up of the fund.

Committee Observations

The Committee observed that the Mombasa County Education Development (Amendment) Act, 2017 did not provide for the procedure for winding up of the Fund, however, a new Act, the Mombasa County Elimu Scheme Act, 2023, was passed which provides for the aforementioned procedure.

Committee Recommendations

Noting the mitigation measures taken by the County Government, the Committee recommends that the query be marked as resolved.

CHAPTER TWENTY-TWO

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NAKURU COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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 financial statements as prepared and presented for audit had the following anomalies:

i. The statement of comparison of budget and actual amounts reflects an amount of Kshs. 196,975,920 as actual transfers from the County Government against an amount of Kshs. 138,261,667 as shown in the statement of financial performance resulting to an unexplained variance of Kshs. 58,714,253; and

ii. The statement of comparison of budget and actual amounts indicates final expenditure budget of Kshs. 196,975,920. However, the reported expenditure amount differs with the expenditure of Kshs. 168,857,517 indicated in the Fund's approved final budget resulting to an unexplained variance of Kshs. 28,118,403.

Consequently, the accuracy of the statement of comparison of budget and actual amounts could not be confirmed.

Management Response

The actual transfer from the County Government of Nakuru in the financial year 2019/2020 was Kshs. 138,261,667 as indicated in the original budget and the statement of comparison of budget and actual amount.

However, in the previous financial year of 2018/2019 there was unspent amount of Kshs. 58,714,253 which was brought forward for re-appropriation. Therefore, the total amount which was available for appropriation in the financial year 2019/2020 was Kshs. 196,975,920 and not Kshs. 138,261,667. This is clearly shown in the statement of comparison of budget and actual amount attached.

Committee Observations

The Committee observed that—

i. the amount received from the County government in the financial year under review was Kshs. 138,261,667.
ii. Kshs. 58,714,253 was the amount brought forward from the previous financial year making the total amount to be Kshs. 196,975,920.

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. Unreconciled Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs. 56,035,726 as disclosed in Note 11 to the financial statements. The bank reconciliation statement as at 30 June, 2020 reflects payments in cash book not in bank statement totaling Kshs. 5,381,604. The unpresented cheques balance of Kshs. 5,381,604 includes an amount of Kshs. 139,000 cleared by the bank on 23 June, 2020 and therefore should be excluded from the reconciliation statement.

In the circumstances, the accuracy and completeness of the bank balance amounting to Kshs. 56,035,726 could not be confirmed.

Management Response

The unpresented cheque of Kshs. 139,000 stated as cleared by the Auditor had not been cleared and therefore could not be excluded from the reconciliation stated as suggested by the Auditor. Evidence of the same is attached.

Committee Observations

The Committee observed that Kshs. 5,381,604 was payments reflecting in the cashbook but not reconciled with the bank statement. Management attached evidence that Kshs. 139,000 included in the total payments was not cleared by the bank hence could not be reconciled.

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 MATTERS

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final expenditure budget of Kshs. 196,975,920 against actual expenditure of Kshs. 140,940,194 resulting to an overall underperformance of Kshs. 56,035,726 or 28% of the budget. The under expenditure affected the planned activities and may have impacted negatively on the service delivery to the residents of Nakuru County.

Management Response

The underperformance of Kshs. 56,035,726 or 28% of the budget was occasioned by the outbreak of COVID-19 pandemic which forced in the stoppage of all activities of the committee.

Committee Observations

The Committee observed that the management had an expenditure budget of Kshs. 196,975,920 but spent only Kshs. 140,940,194 an attributed this to the Covid-19 pandemic that caused the stoppage of its activities.

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. Non- Compliance with Prescribed Format

i. The Corporate Governance Statement at page Xiii refers to the entity as County Government and County Executive Committee (CEC) Member of Finance as the Accounting Officer responsible for the preparation of financial statements instead of the Fund Administrator as set out under Section 167 of

the Public Finance Management Act, 2012. In addition, the statement indicates 30 June, 2018 as the reporting period instead of 30 June, 2020;

ii. Report of the Fund Management Committee on page xvi has not been signed contrary to the requirements of the Public Sector Accounting Standards Board;

iii. The Statement of Management Responsibilities at page xvii refers to the Accounting Officer of a County Government Entity instead of the Fund Administrator;

iv. The statement of compliance and basis of preparation thereof at page 6 indicates the financial statements have been prepared in accordance with cash basis instead of accrual basis;

v. The paragraph on reporting entity at page 6 indicates that the financial statements encompass the reporting entity as specified under Section 81 (which relates to National Government Entities) of the Public Finance Management Act, 2012 instead of Section 167 of the Public Finance Management Act, 2012;

vi. Note 22 to the financial statements refers to Board of Trustee as a related party instead of Fund Committee. Similarly, Note 22b lists board of trustees as part of Key Management instead of Fund Committee;

vii. The Statement of Management Responsibilities at page vii indicates County Public Fund instead of Nakuru County Bursary Fund;

viii. The progress on follow up of prior year auditors' recommendations is blank and has not been signed by the Accounting Officer;

ix. The Management Discussion Analysis under section 8 of the financial statements shows total distribution of the funds amounting to Kshs. 138,180,194. However, a casting error of Kshs. 2,760,000 was noted resulting to correct total distribution of funds balance of Kshs. 140,940,194.

Management Response

i. The errors in the financial statements has since been amended as per attached Financial Statements.

ii. The errors in the financial statements has since been amended as per attached Financial Statements.

iii. The errors in the financial statements has since been amended as per attached Financial Statements.

iv. The errors in the financial statements has since been amended and the statements have now been amended in accordance with the accrual basis of accounting.

v. The errors in the financial statements were noted and amended as per attached Financial Statements.

vi. The errors in the financial statements were noted and amended as per attached Financial Statements.

vii. The errors in the financial statements were noted and amended as per attached Financial Statements.

viii. The errors in the financial statements were noted and amended as per attached Financial Statements.

ix. The errors in the financial statements were noted and amended as per attached Financial Statements.

Committee Observations

The Committee observed that there were errors in the financial statements and they were not prepared in the format prescribed by the Public Sector Accounting Standards Board. The errors were later corrected and the correct format was used.

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 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 include fraud prevention mechanism; and (b) the County Government entity develops a system of risk management and internal control that builds robust business operations.

Consequently, the fund does not have a formal process for identifying, preventing and mitigating risks and fraud.

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.

2. **Poor Controls over Ward Committee Allowances**

As disclosed in Note 6 to the financial statements, the statement of financial performance reflects fund administration expenses amounting to Kshs. 2,760,000 relating to ward committee facilitation. However, the allowances were paid in cash to the ward committee members. This is indicative of poor controls over administration of committee allowances.

Management Response

The management agrees with the audit findings. However, they have since rectified the anomaly and now send money through a cheque to the bank which later wire the money to the committee members M-Pesa number.

Committee Observations

The Committee observed that the ward committees were being paid in cash which was a sign of poor controls. The money is now being wired from the bank to their M-Pesa number for accountability and control.

Committee Recommendations

Noting the mitigating measures by management the committee recommends that the matter be resolved.

CHAPTER TWENTY-THREE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NANDI COUNTY EDUCATION FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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 Comparative Figures and Non-Submission of 2016/2017 Financial Statements

As reported in the previous year, the financial statements presented for audit during the 2017/2018 financial year, reflected comparative figures for the year 2016/2017. However, management has not to date prepared and submitted the financial statements for the year ended 30 June, 2017 contrary section 10(4) (a) of Nandi County Education Fund Act, 2016 which stipulates that within three (3) months after the end of financial year, the Fund Administrator shall submit the funds financial statements to the Auditor General.

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

Management Response

Non-submission of 2016/2017 Financial Statements within the stipulated timeframe was an oversight from the management of the Fund. We have subsequently ever since, committed to adhering to the Law as required.

Committee Observations

The Committee observed that the management failed to submit the Fund's financial statements for FY 2016/17 for audit review.

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 submit financial statements to the Auditor-General within three months after the end of the fiscal year as required by section 47(1) Public Audit Act, 2015, failure to which the provisions of section 62 of the Public Audit Act on penalties for offences shall apply.**

2.0 Irregular Payment of Allowances to Nandi County Education Committee

The statements of financial performance for the year ended 30 June 2020 reflected Fund administration expense balance of Ksh. 2,163,000. Included in this figure were allowances expensed on the Committee totaling to Kshs. 449,000. However, the Fund management did not provide Kenya Gazette notice which confirmed the appointments of the Committee members of Nandi County Education Fund for a period of three years. Consequently, we could not confirm the propriety of the expenditure of Ksh 449,000 incurred on the committee members for the period ended 30th June, 2020.

Management Response

The committee were in office legally and that any dues from their committee functions were their entitlement as per the Nandi County Education Fund Act, 2016, Regulation, 2017 and the Salaries and Remuneration Commission guidelines. Attached, is the copies of their Gazettement notice and appointment letters.

Committee Observations

The Committee observed that whereas the Gazette notice and appointment letters 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 ensures that supporting documents are availed to the Auditor during audit as required under section

9(1)(e) of the Public Audit Act, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit in the subsequent audit cycle.

3.0 Bursaries Disbursement

As disclosed under note 8 to the financial statements and in the statement of financial performance as at 30 June, 2020, is an expenses figure of Kshs 45,953,439, which includes bursary disbursement of Ksh 43,687,479. The expenditure has been treated as general expenses in the financial statements based on a cabinet memo dated 14 November 2017, which authorized the CECM Education and Vocational Training to commence the amendment process of the Nandi County Education Fund Act to expense all disbursement made from the fund. However, no evidence was provided to show that the act has been amended.

Absence of an amended act, the management was in breach of law.

Management Response

The amendment of the Act was done and during the year under review the draft amended Act was in place, further amendments were done and the final copy of the Nandi County Education Fund (Amendment) Act, 2023 is hereby attached.

Committee Observations

The Committee observed that the Nandi County Education Fund Act was yet to be amended to allow for disbursement made from the fund.

Committee Recommendations

The Committee recommends that the Governor ensures that the Nandi County Education Fund Act is amended within sixty days of the adoption of this report.

4.0 Implementation of Oversight Bodies Recommendations

Nandi County Education Fund Act, 2016 was established on 8 June 2016. The objective is to establish a legal and institutional framework to facilitate; improved access to education by all residents of Nandi County by providing funds and scholarships: enhanced Equity in education for all residents of Nandi County; Improvement of literacy level within Nandi County; and ensuring that a specific portion of the County annual budget is devoted to the Education Fund for the purpose this Act. Available information indicates that Nandi County has an internal audit function and with an audit

committee. Further, statutory audits of the fund for the year ended 30 June 2017 were concluded and audit certificate issued to the fund management by the Audit General.

However ,there was no evidence the financial statements have been submitted to the County Assembly contrary to section 149(1)of the Public Finance Management Act,2012 which states that an accounting officer is accountable to the county assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is _(a) lawful and authorized ;and (b) effective ,efficient, economical and transparent and regulation19(1) of the Public Finance Management (County Government) Regulation, 2015 which states that the standing committee shall generally be responsible for the following –(f) monitor the effectiveness of the corporate governance practices under which the entity operates and propose revisions as may be required from time to time ; (g) monitoring timely resolutions of audit issues.

Management Response

The management has been submitting its financial statements and any other relevant reports of the fund to the County Assembly as per section 149(1) of the Public Finance Management Act, 2012. Attached are the received copies of relevant documents 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.

5.0 Unresolved Prior Year Audit Matters

During the year under review, it was observed that non- compliance issues raised in the audit report for F/Y 2018/2019 financial year remain unresolved contrary to section 31(1)(a) of the public audit Act, 2015 which requires a state organ or public entity address the recommendations and findings of previous year audit and section 149(2) (I) of public finance management act, 2012 which require accounting officers designated for County Government entities to try resolve any issue resulting from an audit that remain outstanding.

Management response

The process of resolving the prior year audit matters is a collaborative exercise among all the relevant stakeholders including the County Executive, County Assembly and Senate. The process is ongoing 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 NYAMIRA COUNTY EDUCATION BURSARY FUND FOR THE FINANCIAL YEAR 2019/2020

The Governor of Nyamira County Executive, 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 for the Financial Year ended 2019/2020. 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. Presentation of the financial statements

1.1 The statement of changes in net assets and statement of comparison of budget and actual amounts

Documents provided for audit review reflected the sub-title "as at 30 June, 2020" and "the period ended 30th June, 2020" respectively. This is contrary to the requirements of section 66(a) of IPSAS 1 on the presentation of financial statements and also the Public Sector Accounting Standards Board guidelines which "outlines for the year ended".

Management Responses

The Management concurs with the Auditor's observation that the statement of changes in net assets and statement of comparison of budget and actual amounts reflected the sub-title "as at 30 June, 2020" and "the period ended 30th June, 2020" respectively contrary to the requirements of section 66(a) of IPSAS I on the presentation of financial statements and also the Public Sector Accounting Standards Board guidelines which "outlines for the year ended". This anomaly has since been rectified in the subsequent financial years in conformity with IPSAS and the format prescribed by PSASB.

Committee Observations

The Committee observed that documents submitted at the time of audit did not conform to the Public Sector Accounting Standards Board guidelines and section 66(a) of IPSAS 1 on the presentation of 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.**

1.2 The financial statements did not reflect progress on follow up of Auditors recommendations

The financial statements did not reflect progress on follow up of Auditors' recommendations Contrary to the Public Sector Accounting Standards Board (PSASB) template.

In the circumstances, the financial statements for the year for the year ended 30 June, 2020 were not prepared in accordance with the IPSAS guidelines and as stipulated in the PSASB template.

Management responses

The management concurs with the Auditor's observation and has put in place requisite measure in implementing the recommendations of the office of the auditor general.

Committee Observations

The Committee observed that the financial statements submitted at the time of audit did not reflect progress on follow up of Auditors' recommendations Contrary to the Public Sector Accounting Standards Board (PSASB) template.

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 –

1.1 Budgetary Control and Performance.

The statement of comparative budgets and actual amounts reflects final receipts budget and actual on comparable basis of kshs. 126,520,000 and kshs. 126,520,000 resulting to a balanced budget.

Similarly, the expenditure budget was kshs. 126,520,000 against actual expenditure of kshs. 3,953,420, resulting to under expenditure of kshs, 122,566,580 or 97% of the budget.

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

Management Response

The management wishes to clarify that budget underperformance and underfunding was as a result of externalities (COVID 19). During the period under review all learning institutions who were the beneficiaries were suspended as per TSC circular no 4/2020 on containment of the coronavirus (Covid 19). This was further communicated through Bursary Fund Committee meeting as per attached minutes.

Committee Observations

The Committee observed that the expenditure budget was kshs. 126,520,000 against actual expenditure of kshs. 3,953,420, resulting to under expenditure of kshs, 122,566,580 or 97% 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.

1.2 Lack of Segregation of Duties

An audit review of internal controls revealed that there was no segregation of duties. It was observed that one officer would initiate a transaction approve it authorize withdraws from the Bank as one of the signatories. Receive cash, incur the expenditure and later surrender, and approve the expenditure.

It was also noted that the chairman of the Fund receives cash and incurs expenditure on behalf of the Fund contrary to sections110 (2) of the Public Finance Management Act (County Governments) regulations, 2015 which requires segregation of duties_

Consequently, the Management was in breach of the law.

Management Response

The Management wishes to clarify that the bursary fund was managed by the fund administrator, fund accountant, chief officer finance and a chairman to the committee appointed by I-1.E the Governor, committee appointed by The County Executive Committee Member Education which includes The County Executive Commit-tee Member Finance as per The Nyamira County Education Support At 2016 section 3 and 4(I) and a signatories to this account are the fund administrator, chief officer finance and a chairman to the committee, Further controls have been enhanced by Education support fund Act.

Committee Observations

The Committee observed 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 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-FIVE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NYANDARUA COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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 –

1.0 Inaccuracy in the Financial Statements

The statement of financial performance for the year ended 30 June, 2020 reflects transfers from the county government of Kshs.115,400,000 while the statement of comparison of budget and actual amounts reflects Kshs.117,747,201, resulting to a variance of Kshs.2,347,201 which has not been explained.

Consequently, the accuracy and completeness of the transfers from the county government of Kshs.115,400,000 for the year ended 30 June, 2020 could not be confirmed.

Management Response

The difference of Ksh 2,347,201 was the unspent balance from Financial Year 2018/2019.

The amount budgeted and transferred from the county Treasury in the Financial year 2019/2020 is Ksh 115,400,000

Committee Observations

The Committee observed that there was a variance of Kshs.2,347,201 between the statement of financial performance and the statement of comparison of budget and actual amounts which reflected values of Kshs.115,400,000 and Kshs.117,747,201 respectively. However, the management stated that the difference was the unspent balance from the Financial year 2018/2019.

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. Bursary Payments

The statement of the financial performance for the year ended 30 June, 2020 reflects bursary expense of Kshs.57,523,779. However, the schedule supporting the balance included transactions amounting to Kshs.5,204,099 for 329 students whose registration/admission numbers were not indicated.

Consequently, the accuracy and occurrence of the bursary payments of Kshs.5,204,099 for the year ended 30 June, 2020 could not be confirmed.

Management Response

The management notes the audit observation. As per now, Bursary to 329 beneficiaries relating to form one students amounting to Kshs.5,204,099 could not be verified. A circularization has been done to beneficiary schools to confirm the authenticity of the students.

Committee Observations

The Committee observed that the management did not indicate the registration/admission numbers for 329 students in the schedule to support transactions amounting to Kshs.5,204,099 submitted at the time of audit.

Committee Recommendations

The Committee recommends that the Ethics and Anti-Corruption Commission (EACC) conducts investigations on the possible loss of funds amounting to Kshs.5,204,099 and provide a status update on the same to the Senate within sixty (60) days of the adoption of this report.

Other Matter

Budgetary Control and Performance

During the year under review, the Nyandarua County Bursary Fund had a total expenditure budget of Kshs.117,747,201 against actual expenditure of Kshs.61,154,990, resulting to under absorption of Kshs.56,592,211 or 48%. However, Management explanation that the under-utilization was as a result of the closure of institutions of learning due to the effects of Covid-19 was not satisfactory. Consequently, the Fund did not meet its objective to assist needy students due to the pandemic.

Management Response

The management still maintains that the closure of institutions of learning due to the effects of Covid-19 affected the bursary allocation to the needy students hence the underutilization. The funds were disbursed to the beneficiary institution in the financial year 2020/2021.

Committee Observations

The Committee observed that fund had under absorption of Kshs.56,592,211 which is equivalent to 48% 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.

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. Maintenance of Two Bank Accounts

The statement of financial position reflects cash and cash equivalents of Kshs.56,592,211 as at 30 June, 2020 as detailed under note 11 to the financial statements. The cash is held in two bank accounts. However, it was noted that the operations of the Fund can economically be carried out through a single account.

Consequently, the Fund could be incurring additional costs by operating a second account.

Management Response

The Nyandarua County Bursary fund Act of 2019 provides for two bursary programs i.e. Ward bursary Programme and the Governors bursary Programme.

The Bursary Management had found it prudent to separate accounts for the two Bursary Programme for easier reconciliation.

Committee Observations

The Committee observed that the Fund held cash in two bank accounts whereas the operations of the Fund can economically be carried out through a single account.

Committee Recommendations

The Committee recommends that the Fund undertake to use a single Bank account for its operations in accordance to the law. The Auditor-General to verify the query in the subsequent audit cycle.

2. Failure to Develop Risk and Fire Management Strategy

The Nyandarua County Bursary Fund has not developed risk and fire management strategies. This is contrary to Section 158(1) of the 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 control that builds robust business operations. Failure to develop a risk management strategy may impair the effectiveness of the Board in managing a robust business operation of the Fund'.

Consequently, the Fund Management did not comply with the Law and its effectiveness in handling risks.

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 observed that the management had not developed a risk and fire management strategy at the time of audit.

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-SIX

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NYERI COUNTY ELIMU FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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 2019/2020 on the following basis –

1.Inaccurate and Unsupported Bursaries and Scholarships

The statement of financial performance for the year ended 30 June, 2020 reflects Kshs.90,988,973 in respect of bursaries and scholarships. As disclosed under Note 4 to the financial statements, however, the schedule of bursary beneficiaries provided for audit reflected a total of Kshs.90,123,811 and hence resulting to an unreconciled variance of Kshs.865,162. Further, disbursements totalling Kshs.87,237,072 were not supported by acknowledgement letters from beneficiary institutions. Consequently, the accuracy and validity of the expenditure of Kshs.90,988,973 for the year ended 30 June, 2020 could not be confirmed.

Management Response

The bursary disbursements totaling Kshs 87,237,072 were not supported by acknowledgement letters and receipts from beneficiary institutions.

The management noted this anomaly and employed 8 officers who have been facilitating the collection of the acknowledgement letters and receipts.

Committee Observations

The Committee observed that—

i. The statement of financial performance for the year ended 30 June, 2020 reflects Kshs.90,988,973 in respect of bursaries and scholarships while the

schedule of bursary beneficiaries provided for audit reflected a total of Kshs.90,123,811 and hence resulting to an unreconciled variance of Kshs.865,162.

ii. Disbursements totalling Kshs.87,237,072 were not supported by acknowledgement letters from beneficiary institutions. However , the management later submitted both the reconciled statements and acknowledgement letters to the Auditor-General for 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;**

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. Unsupported Fund Administration Expenses

As disclosed under Note 5 to the financial statements, the statement of financial performance for the year ended 30 June, 2020 reflects fund administration expenses of Kshs.4,283,580 However, records provided indicated that imprest totalling Kshs.380,000 was issued to an officer to pay for allowances to officers and board members preparing bursary cheques outside the county in the month of march, 2020. However, there was no evidence provided to support booking of the venue and evidence of travel by the team. Further, prudence would require that the activity of preparing bursary cheques for issue, would have been economically carried out within the County's premises designated for such routine activities so as to save on subsistence allowances and hotel charges which would othena/se be used to issue more bursaries.

Further, the administrative expenses included an amount of Kshs.76,000 Kshs.100,000 and Kshs.127,780 in respect of lunch allowances, fuel expenses and office supplies respectively and which were not supported by the relevant documents. Therefore, it has not been possible to confirm that the County obtained value formoney on the expenditure of Kshs.380,000.

Consequently, the validity, and efficient use the expenditure of Kshs.683,780 on administrative expenses could not be confirmed.

Management Response

This exercise requires at least 15 officers who are structured in a way that data input in the system is verified and approved. This information is sent to a team that processes the cheques. The processed cheques are then moved to a team that generates acknowledgement letters.

The acknowledgement letters and the cheques are then moved to a team that verifies the cheque numbers against the acknowledgement letters which are then stapled together for approval and signing of the cheques. Bearing in mind the sensitivity of this exercise, the Elimu Fund Board approved expenditure for this exercise outside the office to minimise on interruptions and possible loss of cheques which were around 5000 leaves.

The bursary application form and carbonated Elimu fund (bursary) form public participation beneficiaries were two different documents serving different purpose. Application form is used by applicants to apply for bursary and carbonated bursary form is used to list the students who are awarded the bursary after public participation. Attached find the sample of the both forms.

i. Kshs 76,000 was lunch allowances for who went for home visits on the dates in 30 wards within Nyeri County.

ii. Kshs 100,000 was fuel used by the vehicles during the home visits.

iii. Kshs 127,780 was used for office stationeries.

Committee Observations

The Committee observed that-

i. there was no evidence provided to support booking of the venue and evidence of travel by the team; and

ii. the administrative expenses included an amount of Kshs.76,000 Kshs.100,000 and Kshs.127,780 in respect of lunch allowances, fuel expenses and office supplies respectively and which were not supported by the relevant documents. However, the Management later submitted the supporting documents to the Auditor-General for verification.

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.

Unresolved Prior Year Issues

In the audit of the previous year, several issues were raised under Report on the Financial statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, although the Management has indicated that all the issues had been responded to, the matters remained unresolved as the County Assembly was yet to deliberate.

Management Response

The fund administrator presented the financial statements for the year 2019/2020 as required by the PFM Act, 2012.

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—

Endowment Fund

As disclosed under Note 11 to the financial statements, the statement of financial position as at 30 June, 2020 reflects an endowment fund balance of Kshs.21,350,000.

As stipulated in Section 5(5) of the Nyeri County Elimu fund Act, 20'15, the accumulated fund over a period of five years since 2015/2016 financial year, should be equivalent to 5% of the monies allocated for bursary fund and maintained in a separate bank account. However, the Fund Management has not created a separate bank account for the endowment fund as required and instead, the endowment funds are held in the same operation bank account of the Fund. No reason was provided for the failure to open a separate endowment account as required by the law.

Management Response

The Elimu Fund Board opened a separate account for endowment fund and transferred the Kshs 21,350,000.

Committee Observations

The Committee observed that the Elimu Fund Board opened a separate account for endowment fund and transferred the Kshs 21,350,000. 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.

CHAPTER TWENTY-SEVEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR SAMBURU COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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 on the following basis—

1.1 Variance in the Comparative Year Figures

The statement of financial position as at 30 June 2020 reflects a Nil balance against trade and other payables for comparative 2018/2019 financial year. However, the audited financial statements as at 30 June, 2019 reflected a balance of Kshs. 2,135,577 resulting to unreconciled variance of Kshs. 2,135,577.

Consequently, the accuracy and completeness of comparative trade and other payables of Nil balance as at 30 June, 2020 could not be confirmed.

Management Response

Following the changeover of our reporting criteria for the Funds from the Cash Basis of Accounting to Accrual basis, the Fund's Management having reworked all previous annual reports came to the accurate conclusion that there had not been any trade and other payables in the year ended June 2018. As such Mr. Chairman, the position presented of nil balance under trade and other payables as presented in FY 2019/20 reports was correct.

Consequently Mr. Chairman, investigation also by the auditors confirmed that there had not been any payables in FY 2018/19

Committee Observations

The Committee observed that there was no unreconciled variance of Kshs. 2,135,577 as the reporting criteria shifted from cash basis to accrual basis, thus there were no payables brought forward from the previous financial year. The matter 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 Unsupported Fund Administration Expenses

The statement of financial performance for the year ended 30 June, 2020 reflects fund administration expenditure of Kshs. 3,777,100 in respect of cash encashments. However, the cash encashments are not supported by expenditure returns in respect of

actual expenses incurred, contravening Regulation 99(3) of the Public Finance Management (County Government) Regulations, 2015, that requires every entry in the accounts to be supported.

Consequently, the accuracy and fair statement of the fund administration expenses of Kshs. 3,777,100 could not be confirmed.

Management Response

The administration expenses mentioned relate to cash withdrawals for use in payment of Committee sitting allowances and for running costs of the Fund's Office in line with Section 28(b) of Samburu County Bursary Fund Act, 2015. Management attached the schedule for the year's administration expenses alongside their corresponding payment vouchers

Committee Observations

The Committee observed that whereas the payment schedules and vouchers for Kshs. 3,77,100 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.

1.3 Inaccurate Finance Costs

The statement of financial performance reflects finance cost expenditure of Kshs. 62,892 for the year ended 30 June, 2020. However, the amount is at a variance with the actual payment reflected in the bank statement of Kshs. 124,732 resulting to a variance of Kshs. 61,840 that has not been explained.

Consequently, the accuracy and completeness of the finance cost expenses of Kshs. 62,892 could not be confirmed.

Management Response

Management stated that having reviewed the bank charges deducted by the Fund's Commercial Bank Account, it is crystal clear that bank charges for the year stood at KES 62,892 as reported in their Financial Statements for the year. The claim by the auditor of having found bank charges totaling KES 124,732 is incorrect and misleading.

Management attached an extract of the year's bank statement showing a schedule of the bank charges, cash book and bank reconciliation statements for the year clearly entries made for the bank charges.

Committee Observations

The Committee observed that management attached a schedule of bank charges, cashbook and bank reconciliation statement to show that the bank charges were Kshs. 62,892 and not Kshs. 124,732 as stated by the auditors.

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 Unsupported Bursary Payments

As disclosed in Note 8 to the financial statements, the statement of financial performance reflects bursary disbursement of Kshs. 68,706,680; (2018/2019- Kshs. 65,944,014). However, the balance does not agree with the totals from the supporting schedules provided for audit verification of Kshs. 50,174,000 resulting to unreconciled variance of Kshs. 18,532,280.

In addition, the balance of Kshs. 68,706,680 includes bursary disbursements of Kshs. 14,262,500 in respect to two thousand nine hundred sixty-eight (2968) students, which are not supported by school or college admission numbers, detailed listing of applicants, amounts awarded, beneficiary institutions and vetting reports and bursary committee approval minutes contrary to Section 7(1)(i) of the Samburu County Bursary Fund Act, 2015.

Consequently, the accuracy and completeness of the bursary disbursements of Kshs. 68,796,680 count not be confirmed.

Management Response

Note 8 of the financial statements reports the actual amounts that eventually were paid to school for the core business of the Fund. This was arrived at by analyzing the entire payments made in the year of KES 79,084,872 less the sum total of all costs the other costs that were not related to disbursements to school, universities and colleges as presented in the following table;

Description	Amount (KES)	Amount (KES)

Total Annual Disbursements		**79,084,872**
LESS:		
Admin Costs	3,777,100	
Bank Charges	62,892	
Stale Cheques	6,486,700	
Un-booked Cheques	16,000	
Returned Cheques	51,500	
Sub Totals		**(10,394,192)**
Bursary Disbursements		**68,706,680**

Management attached schedules for the above transactions.

A total of 2,968 students had been flagged out as bursary beneficiaries but the following details had not been provided;

- Admission Numbers
- Listing of the applicants
- Amount Awarded
- Beneficiary institutions
- Vetting Reports
- Committee approval minutes

Committee Observations

The Committee observed that—

i. The total bursary disbursements for the year under review was Kshs. 68,706,680 as demonstrated by the schedules provided by the management.

ii. 2,968 students had been flagged out as bursary beneficiaries but had not provided details such as admission numbers, institutions and committee approval minutes to support the disbursement of Kshs. 14,262,500.

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—

1.0 Presentation of the Financial Statements

The annual reports and financial statements prepared and presented for audit had the following errors:

i. The budget information- under summary of significant accounting policies indicates a supplementary budget of Kshs. 1,000,000 which is not reflected in the statement of comparison of budget and actual amounts.

ii. Note 22 on related parties under transfers from county governments, no amounts are indicated for current and prior years yet the statement of financial performance reflects transfers from the county government of Kshs. 87,464,000 and Kshs. 68,500,000 for 2019/2020 and 2018/2019 financial years respectively.

iii. Note 8 under bursary disbursement, does not show a breakdown of bursary payments to secondary schools, colleges, universities and scholarships as required.

iv. The progress report on follows up of auditor recommendations has not highlighted prior year audit issues

Consequently, the annual report and financial statements for the year ended 30 June, 2020 as prepared and presented are not in the format prescribed by the Public Sector Accounting Standard Board (PSASB) in accordance with Section 194(1) (d) of the Public Finance Management Act, 2012

Management Response

Management stated that in as much as the issues raised appear trivial begging the question as to why they appeared in the final audit report, they remained unaddressed because they had not been given a chance to respond to them since they only appeared in this final audit report. They attached the draft audit report to corroborate this claim. Nonetheless they addressed the issues mentioned as follows;

1) In the statement of comparison of budget and actual amounts, there is a provision for the initial budget and for additional budget during the year. Their reporting team correctly reported the final budget being the sum total of the initial budget and the additional supplemented budget instead of breaking it down. All in all,

this did not distort the final information that was intended to be relayed by this report.

2) Amounts disbursed from the County Treasury into the Fund is well captured under Note 2 of the financial statements which in turn has a bearing to the statement of financial position, the cash flow statement and statement of comparison of budget and actual amounts. It was therefore inconsequential to report the same amount in Note 22 as there was no connection of this note to the other mini reports in the Financial Statements.

3) A schedule representing Note 8 was provided but had not been broken down into the categories mentioned. This has now been done and is hereby presented.

4) Not much has been achieved in resolving issues raised in prior year audit exercises since their closure depends on invitations by either the County Assembly or the Senate's PAC committee. They have never received invitation on Funds audit issues.

Financial reporting templates are designed to give a general overview and guide to the preparers of Financial Reports. As such, different organizations have divergent components that finally form the basis of final report whose aim is to give a true and fair view of the state of financial affairs of the organization that aids in making sound management decisions.

The management stated that Samburu Bursaries Fund Financial Statements for the year ended June 2020 largely adhered to the guidelines set in the template provided by PSASB shared on the annextures attached.

Committee Observations

The Committee observed that—

i. The management has not resolved prior year issues raised by the auditors.
ii. The Financial Statements are not prepared in the format prescribed by the Public Sector Accounting Standards Board.

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.

CHAPTER TWENTY-EIGHT

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR SIAYA COUNTY EDUCATION BURSARY FUND FOR THE FINANCIAL YEAR 2019/2020

The Governor of Siaya County Executive, 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 2019/2020. 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 –

1.0 Inaccuracies in the Financial Statements

1.1 Prepayments

The statement of financial position reflects total prepayments of Kshs.611,000 as disclosed in Note 12 to the financial statements. However, the prepayments were not supported with the necessary ledgers and documentation.

In the circumstance, the accuracy and completeness of the prepayments figure of Kshs.611,000 in the statement of financial position as at 30 June, 2020 could not be confirmed.

Management Response

Management stated that Kshs.611, 000.00 was an advance which remained unpaid at the end of the financial year. The same was erroneously recognized as prepayment in the financial statement. The error was corrected in the amended financial statement which was attached for review.

Committee Observations

The Committee observed that whereas ledgers and documentation to support the prepayments amounting to Kshs.611,000, 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.

1.2 Overdrawn Bank Balance

The statement of financial position as at 30 June, 2020 reflects a balance of Kshs.2,000 in respect of cash and cash equivalents as detailed in Note 1 1 to the financial statements.

However, the bank reconciliation statement for the month of June, 2020 reflected a negative bank balance of Kshs.2,274,000 resulting in an unreconciled difference of Kshs.2,276,000. ln addition, no approval by the County Treasury was provided for audit review to support the overdrawn cash book balance of Kshs.2,274,000. This is contrary to Regulation 82(7) ot the Public Finance Management (County Governments) Regulations, 2015 which states that no official county government bank account shall be overdrawn, nor shall any advance or loan be obtained from a bank account for official purposes beyond the limit authorized by the County Treasury in line with Section 119(4) of the Public Finance Management (County Governments) Acl,2012.

Further, review of the Bursary Fund bank statement revealed unpaid cheques amounting to Kshs.330,000 which had not been disclosed in the bank reconciliation statements and had not been reversed in the cashbook.

ln the circumstance, the accuracy and completeness of the cash and cash equivalents in the statement of financial position as at 30 June, 2020 could not be confirmed.

Management Response

Management stated that as at the time of audit, the cash book had not been updated. The cash book has since been updated and reflects the true financial position of the fund which confirms that there is no over withdrawal.

In addition, we also wish to state that the misstatement was corrected as per the attached bank reconciliation statement (FO. 30). The same were corrected in the statement of financial position and cashflow.

Committee Observations

The Committee observed that—

i. the bank reconciliation statement reflected a negative bank balance of Kshs.2,274,000 resulting in an unreconciled difference of Kshs 2,276,000.
ii. The Bursary Fund bank statement had unpaid cheques amounting to Kshs.330,000 which had not been reflected in the bank reconciliation 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 Errors in the Statement of Comparison of Budget and Actual Amounts

Statement of comparison of budget and actual amounts reflects actual income on a comparable basis totalling to Kshs.1,748,000. However, summation of the amounts indicate a total of Kshs.1,750,000 resulting to a difference of Kshs.2,000. ln addition, the total budgeted expenditure amounting to Kshs.80,000,000 did not take into consideration an adjustment to the budgeted income amounting to Kshs.5,516,225 thereby resulting to a budgeted surplus by the same amount.

ln the circumstance, the accuracy and completeness of the statement of comparison of budget and actual amounts for the year ended 30 June, 2020 could not be confirmed.

Management Response

i. We note your observation and wish to state that Kshs.2, 000.00 was a donation (cash deposit) which was not regularized through a supplementary budget hence at the time of reporting could not be recognized under statement of comparison of budget and actual

ii. In addition, kshs.5,515,225 is a balance brought forward from previous financial year which according to the reporting template is not supposed to be reported under the statement of comparison of budget and actual for the year under review.

Committee Observations

The Committee observed that the statement of comparison of budget and actual amounts totalled to Kshs.1,748,000 while the summation of the amounts showed a total of Kshs.1,750,000 resulting to a difference of Kshs.2000.

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 Misstatement of Bursary Expenses

The statement of financial performance for the year ended 30 June, 2020 reflects fund administration expenses of Kshs.6,616,255 as disclosed in Note 6 to the financial statements. lncluded in this expenditure is an amount of Kshs.4,921,705 in respect of bursary to students. However, supporting schedule provided for audit reflected a total of Kshs.3,135,000 resulting to an unreconciled and unexplained difference amounting to Kshs.1 ,786,705.

ln the circumstance, the accuracy of the administration expenses figure of Kshs.4,921,705 reflected in the financial statements for the year ended 30 June, 2020 could not be confirmed.

Management Response

We note your findings and wish to state that at the time of audit, the ledger had not been updated. We confirm that the ledger has since been updated and the same is hereby attached for your verification.

Committee Observations

The Committee observed that supporting schedule provided reflected an amount of Kshs.3,135,000 while the statement of financial performance reflected an amount of Kshs.4,921,705 resulting to a variance of kshs.1,786,705.

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.

3.0 lnaccuracies in the Statement of Changes in Net Assets

The statement of changes in net assets reported accumulated surplus of Kshs.899,517 as per the certified financial statement for the year ended 30 June, 2019. However, this balance was not included as a comparative figure for the year ended 30 June,2020.

Further, the surplus balance of Kshs.73,348,776 for the year under review was not reported in the column for accumulated surplus as prescribed in the Public Sector Accounting Standards Board financial reporting template June, 2020.

ln the circumstance, the accuracy and completeness of the statement of changes in net assets for the year ended 30 June, 2020 could not be confirmed.

Management Response

We note your observation and wish to state that this was a casting error which has since been corrected by reporting the balances in the correct columns as per the prescribe reporting template in the subsequent financial year.

Committee Observations

The Committee observed that—

i. A balance of Kshs.899,517 was not included as a comparative figure in the statement of changes in net; and
ii. A surplus balance of Kshs.73,348,776 the year under review was not reported in the column for accumulated surplus as prescribed in the Public Sector Accounting Standards Board financial reporting template June, 2020.

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 Un-surrendered Imprest

The statement of financial position as at 30 June,2020 reflects receivables figure of Kshs.78,252,000, which excludes an outstanding imprest amount of Kshs.568,500. This imprest was issued on 2 December, 2019 to facilitate bursary processing expenses but had not been surrendered as at the end of the financial year.

In addition, the imprest had remained outstanding for over six months and the Fund Management had not taken any action to have the imprest recovered. This contravened Regulation 93(6) Public Finance National Government Regulations, 2015 which requires that in the event the imprest holder fails to account for and surrender the imprest on the due dates, the Accounting Officer shall act to recover the amount fully from the salary of the defaulting officer with an interest at the prevailing CBK rates.

In the circumstances, the accuracy of the receivables balance of Kshs.78,252,000 could not be confirmed and the Management was in breach of the law.

Management Response

We note your observation and wish to state that the imprest holder had not surrendered the impest advanced to him at the time of audit, the recovery letter was done by chief Officer Education who is the fund administrator of Bursary fund to Chief officer Governance and administration for the recovery from imprest defaulter's salary. See the attached Recovery letter for your review.

Committee Observations

The Committee observed that an outstanding imprest amounting to Kshs.568,500 had remained outstanding for more than six months and the Fund Management had not taken any action to have the recover the imprest. However, documentation to support the imprest recovery was later submitted.

Committee Recommendations

The Committee recommends that—

i. **The Fund administrator to ensure full recovery surcharge of the responsible officer(s) at the prevailing interest rate and submit a status report to the Auditor General within sixty (60) days of the adoption of this report;**

ii. **The Accounting Officer to ensure strict compliance with regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015 with regards to recovery of imprests, 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

Budgetary Control and Performance

The statement of comparison of budget and actual for the year under review reflects total budgeted revenue of Kshs.85,516,225 and actual revenue of Kshs.1,750,000.

respectively resulting to a budget underfunding of Kshs.83,766,225 (98o/o). Similarly, the statement reflects approved budget of Kshs.80,000,000 and actual expenditure of Kshs.6,653,224 resulting to under expenditure of Kshs.73,346,776 or (92%). The underperformance may have negatively impacted on the issuance of bursary to the needy students of Siaya County.

Management Response

We note your findings and wish to state as follows:

i) That Kshs.85,516,225 includes the brought forward of kshs.5,516,225.00 which is not supposed to be reported under the statement of comparison of budget and actual as the template does not give provision for that. This has since been corrected in the amended financial statement

ii) Similarly, kshs.2, 000 was a donation (cash deposit) which was which was not regularized through a supplementary budget hence at the time of reporting could not be recognized under statement of comparison of budget and actual

iii) We further wish to state that the budgeted figure of kshs.80,000,000 which was expected to be received by end of the financial year 30 June,2020 was not received, hence was not reported in the actual column of the statement of comparison

Committee Observations

The Committee observed that—

i. The Fund had an underfunding of Kshs.83,766,225 where there was a budgeted revenue of Kshs.85,516,225 and actual revenue of Kshs.1,750,000.
ii. There was an under-expenditure of Kshs.73,346,776 or 92% 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.

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-

Late Submission of Financial Statements

The Fund Management submitted its financial statements to the Auditor-General on 23 October, 2020 after the statutory deadline of 30 September,2020. This is contrary to Section 47(1) 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 account relates.

Management Response

We note your observation and wish to state that the financial statement was not prepared on time due to human resource capacity challenges. The administration has since addressed the limitation in human capacity challenges.

In the subsequent years, the fund has prepared and submitted financial statements as per the requirements of Public Finance Management Act, 2012.

Committee Observations

The Committee observed that submitted its financial statements to the Auditor-General on 23 October, 2020 after the statutory deadline of 30 September,2020.

Committee Recommendations

The Committee recommends that—

i. **the Accounting officer should submit financial statements to the Auditor-General within three months after the end of the fiscal year to which the account relates Section 47(1) Public Audit Act, 2015, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B 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.

CHAPTER TWENTY-NINE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TAITA TAVETA COUNTY EDUCATION FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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—

Unsupported outstanding loans balance

The statement of financial position as at 30 June, 2020 reflects revolving fund balance of ksh. 79,702,004 as disclosed in Note 10 to the financial statements in respect to loans awarded. However, the ageing analysis of the outstanding loans was not provided for audit review. Further, as reported previously, provision for bad and doubtful debts was not made in the financial statements despite low repayments by the beneficiaries.

Consequently, the accuracy, completeness and recoverability of outstanding loans balance of ksh. 79,702,004 as at 30 June 2020 could not be confirmed.

Management Response

The low repayments by the beneficiaries informed the Taita Taveta Education Fund management Board to enter into a service contract with Helb for the efficient recovery and management of all loans issued which is also an important tool helping to mitigate the risk of bad and doubtful debts. The service contract also delegates the responsibility of loan recovery to Helb.

Further the management has provided an up to date ageing list as received form Helb.

Committee Observations

The Committee observed that—

i. whereas the ageing analysis of the outstanding loans 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. There was no provision for bad and doubtful debts made in respect of the outstanding loans.

iii. The management clarified that the Fund entered into a service contract with Helb for the efficient recovery and management of all loans.

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 line with section 62 (2) of the Public Audit Act, Cap.412B;**

ii. **the Accounting Officer should, within 60 days of the adoption of this report, submit a debtors' schedule to the Auditor-General for verification;**

iii. **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;**

iv. **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**

v. **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.**

Other Matter

1. **Budgetary control and performance**

The statement of comparison budget and actual amounts reflects approved revenue budget of ksh 72,000,000 against actual receipts of Ksh 32,100,570, resulting to a shortfall of Ksh 39,899,430 or 55%. Similarly, the Fund had a total expenditure budget of Kshs. 72,000,000 against actual expenditure of Kshs. 32,068,190 resulting to net under absorption by Kshs 39,931,810 or 55%.

The under-funding and under-expenditure 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 32,100,570 (thirty two million one hundred thousand five hundred and seventy) against a budget of Ksh72,000,000 (seventy two million) leading to the under-expenditure due to cash flow challenges during the year under review and covid-19 pandemic also which affected the revenue targets.

Committee Observations

The Committee observed that-

i. The Fund had a revenue shortfall of Ksh 39,899,430 or 55% of the budget in the financial year under review.
ii. The Fund failed to absorb Kshs 39,931,810 or 55% 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.

2. **Unsupported Prior Year Adjustment**

As previously reported, the statement of changes in net assets for the year ended 30 June, 2020 reflects a closing balance of ksh 79,771,702. The opening balance of ksh, 74,739,322 is net of negative ksh 955,023 which is as a result of prior year adjustments in revolving fund by a credit of Ksh 9,791,754 and a debit adjustment of accumulated

surplus by Ksh 10,746,777. However, the management did not provide journal vouchers to support the prior year adjustment.

Consequently, the accuracy and completeness of the statement of changes in net assets balance of ksh 79,771,702 for the year ended 30 June, 2020 could not be confirmed.

Management Response

The management appreciates the issue raised by the auditor and the journals have hereby been attached.

Committee Observations

The Committee observed that whereas the journal entries in support of the prior year adjustment 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.

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 approved risk management strategies

Taita County Education Fund Board has not developed risk management strategies as previously reported. This is contrary to Section 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 control that builds robust business operations.

Consequently, without risk management strategies for the fund, prevention of fraud and internal control may not be effective.

Management Response

The Taita Taveta County has in place an Internal audit department and an audit committee that is responsible in checking internal controls and adherence to procedures within the county departments and entities. Attached see sample of appointment letters of audit committee.

Further, the fund has a contract with Helb for the management and recovery of Loans which is aiding in reducing risks in matters pertaining loans. Attached service contract with Helb.

Committee Observations

The Committee observed that the Fund operated without risk management strategies in place during the financial year under review contrary to regulation 158(1) of 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

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TANA RIVER COUNTY WARD BURSARY FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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 based on the following basis—

1.0 Unsupported Comparative Balances

As previously reported, the Fund Management did not submit the financial statements for the year 2017/2018 contrary to Section 47(1) of the Public Audit Act, 2015 which stipulates that all financial statements required under all legislations shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate. Failure to submit the respective financial statements results into all subsequent comparative balances having not been confirmed.

In the circumstances, the accuracy of the comparative balances in the financial statements for the year ended 30 June, 2020 could not be confirmed and the Fund is also in breach of the law.

Management Response

In the financial year 2017/18 the bursary fund was dormant as there was no budgetary allocation for bursary in the approved budgets for year 2017/2018 because there were no committees to administer the bursary fund. As a result, no financial reports were prepared for audit.

Committee Observations

The Committee observed that although the management claims that the fund was dormant during the Financial Year 2017/18, which resulted in the financial statements not being prepared, the management failed to provide bank statements to prove that there were no transactions.

Committee Recommendations

The Committee recommends that the Accounting Officer to ensure strict compliance with the provisions of section 149(2)(k) of the Public Finance Management Act, Cap.412A with regards to preparation and submission of annual financial statements to the Auditor-General not later than three months after the end of each financial year, 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 the Financial Statements

The statement of changes in net assets reflects accumulated surplus of Kshs.61,948 as at 30 June, 2020, while the statement of financial position for the year under review reflects accumulated surplus balance of Kshs.1,948,524 resulting to an unreconciled and unexplained variance of Kshs.1,886,576.

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

Management Response

This was an omission in the process of transferring the financial report from excel to word reporting template.

Committee Observations

The Committee observed that the variance of Kshs.1,886,576 was an error of omission which is yet to be 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.**

3. Unsupported Fund Administrative Expenses

The statement of financial performance and Note 2 to the financial statement reflect fund administrative expenses totaling Kshs.4,543,539 out of which expenditure totalling Kshs.3,779,000 was spent on allowances. However, allowances totalling Kshs.2,074,000 were not supported with payment vouchers, minutes of the Board approval, invitation letters to attend Board meetings and attendance registers for the meetings. Further, the payment schedules provided in support of the payments of allowances to the Board members and secretariat were not signed by the payees.

Consequently, the propriety of the expenditure of Kshs.2,074,000 could not be confirmed.

Management Response

The expenditure amounting to Kshs. 2,074,000 is hereby supported by payment vouchers, minutes of board approval, invitation letters to attend Board meetings and attendance registers for the meetings and payment schedules.

Committee Observations

The Committee observed that whereas the payment vouchers, minutes of the Board approval, invitation letters to attend Board meetings and attendance registers for the meetings 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. Unaccounted for Printing and Stationery

Included in the fund administration expenses balance of Kshs.4,543,539 is an amount of Kshs.684,539 incurred on printing and stationery. However, payment vouchers for the expenditure were not supported with local purchase orders (LPOs), invoices, delivery notes, requisition and stores receipts voucher (S13).

In the circumstances, the validity of the expenditure totaling Kshs.684,539 could not be confirmed.

Management Response

The payment vouchers are well supported and well voted for and are hereby availed for your review.

Committee Observations

The Committee observed that—

i. whereas the local purchase orders (LPOs), invoices, delivery notes, and stores receipts voucher (S13) 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 Delivery note and invoice provided were not dated.

iii. The management failed to provide a requisition in support of Kshs.684,539 incurred on printing and stationery 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; 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.**

5. Irregularities in Bursary Disbursements

The statement of financial performance and Note 3 to the financial statements reflects bursary payments totaling Kshs.147,997,618 being expenditure incurred on bursary disbursed to various schools and institutions in support of needy students during the year under review. However, examination of the records provided for audit review revealed the following:

5.1 Unsupported Disbursement

Included in the bursary payments balance of Kshs.147,997,618 were disbursements totaling to Kshs.48,502,668 to various institutions which were not supported with the resolution of the Ward Bursary Fund Board approving the disbursements, as required by Section 10(1) of the Tana River County Ward Bursary Fund Act, 2014. In addition, disbursements totaling to Kshs.17,592,500 to forty (40) tertiary colleges and driving schools were not supported with notifications of applications of bursary made by Ward Bursary Committees to ward residents, bursary application registers, list of successful applicants and Ward Committee Minutes ratifying the applications contrary to Section (16)1 of Tana River County Ward Bursary Fund Act, 2014.

In the absence of respective evidence, the occurrence and validity of bursary disbursements totaling Kshs.66,095,168 could not be ascertained.

Management Response

The bursary ward committees are responsible for vetting and awarding of funds to beneficiaries after which a summary of the same is shared with the county bursary board for cheque processing as stipulated in the Tana River County bursary fund act Article 16 (1) (2). The modalities and criteria on how to identify the learning institutions and the beneficiaries is a mandate of the various ward bursary committees within the county. The minutes for the bursary board committee approving the disbursement are hereby availed for your review.

Committee Observations

The Committee observed that—

i. whereas the minutes for the Ward Bursary Fund Board meeting for approval of bursary disbursements amounting to Kshs.48,502,668 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 failed to provide notification of applications, bursary application registers, list of successful applicants and ratification minutes of ward committee in support disbursements totaling to Kshs.17,592,500 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; 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.**

5.2 Un-Acknowledged Bursary Funds

Audit review of the bursary expenditure also revealed that payments amounting to Kshs.43,987,800 had not been supported with receipts or acknowledgement letters from the respective schools, colleges and other institutions that were indeed paid. Further, the application forms and payment schedules for bursary disbursement to one hundred and eight (108) students had no admission numbers.

In the circumstances, the authenticity of bursary payments Kshs.43,987,800 could not be confirmed.

Management Response

The bursary fund board has consistently been requesting acknowledgements from institutions be submitted to the office for accountability purposes. It becomes a challenge to the management to receive the acknowledgement since most of the institutions do not forward them to us. A sample of the letter written to the institution clearly indicates that they forward them to our office.

Committee Observations

The Committee observed that—

i. the management failed to provide acknowledgement letters and receipts from the respective institutions to support bursary disbursements amounting to Kshs.43,987,800 for audit review.
ii. The application forms and payment schedules submitted for audit review to support bursary disbursement to one hundred and eight (108) students did not contain 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.

6. Inaccuracies in Cash and Cash Equivalents

The statement of financial position and Note 6 to the financial statement for the year ended 30 June, 2020 reflects cash and cash equivalent balance of Kshs.1,948,524. However, audit examination of records provided revealed that the cash book was not updated and was not closed as at 30 June, 2020. In addition, the bank statement provided for audit revealed that the County Ward Bursary Fund received bank transfers of Kshs.77,250,000 on 2 September, 2019 and Kshs.77,250,000 on 27 January, 2020 from the County Executive of Tana River, however, these amounts were not recorded in the cash book. Further, the Board of Survey Report on the Funds' cash and cash equivalent balances as at 30 June 2020 was not provided for audit.

The certificate bank balance reflected a bank balance of Kshs.33,114,673 as at 30 June 2020. A review of the bank reconciliation statement disclosed unpresented cheques amounting to Kshs.41,071,518 which were written in favor of various learning institutions between 10 January, 2020 and 11 June, 2020. In addition, the bank reconciliation statement reflects receipts totalling Kshs.5,951,000 in the bank statement not recorded in cash book and receipt totalling Kshs.6,625,252 in cash book not yet recorded in bank statement. Scrutiny of the schedules supporting the two sets of receipts indicate that the funds were receipts from various learning institutions. Explanation on how the Fund received a total of Kshs.12,576,252 from more than 100 learning institutions was not provided. Further, the bank reconciliation statement reflects payments in the bank statement not recorded in the cash book amounting to Kshs.9,186,116. No explanation was provided on why the cash book was not updated.

In the circumstances, the validity and accuracy of cash and cash equivalents balance of Kshs.1,948,524 cannot be confirmed.

Management response

During the time of audit, the cash book and Bank reconciliation statements were not fully updated. It was still some work in progress. However same has been corrected and updated.

Committee Observations

The Committee observed that—

i. the cash book and bank reconciliation statements of the Fund had variance discrepancies which are yet to be reconciled.
ii. The management failed to submit an updated cashbook and bank reconciliation statement for audit review.

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 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

Unresolved Prior Year Matters

In the audit report of the year 2018/2019, several issues were raised under Disclaimer of Opinion. 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 and The National Treasury and Planning Circular reference No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

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.**

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. Appointment of Board Members and Ward Bursary Fund Committee

During the financial year under review, Fund Board Members held various meetings to deliberate bursary applications and recommendation for the deserving cases forwarded from Ward Bursary Committee. Audit review of personal files for the Fund Board Members established that the appointments of board members were not approved by the County Assembly required by Sections 6,7,8 and 9 of the Tana River Ward Bursary Fund Act, 2014. In addition, the Fund had fifteen (15) Ward Bursary Committees who vetted and approved bursary applications at the ward level. However, appointment letters for committee members were also not provided for audit review.

In the absence of the approval of the County Assembly, it was not possible to confirm whether the committees were properly constituted in accordance with Section 13(1) of the Ward Bursary Fund Act.

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.**

2. Failure to Prepare and Submit Reports to Ward Committees

Examination of the records held by the Fund revealed that seven (7) Ward Committees did not prepare and submit quarterly reports and summary of annual reports, Contrary to Section 21 of Tana River County Ward Bursary Fund Act, 2014 which requires the Secretary to Ward Committee to prepare quarterly reports showing all receipts, disbursements and actual expenditures incurred by the Ward Committees and submit a summary of records to the Ward Bursary Committee not later than thirty (30) days after the end of every financial year.

No explanation has been provided for the non-compliance with the Act.

Management Response

No response provided.

Committee Observations

The Committee observed that the seven (7) Ward Committees failed to prepare and submit quarterly reports and summary of annual reports to the Ward Bursary Committee contrary to the provisions of Section 21 of Tana River County Ward Bursary Fund Act, 2014.

Committee Recommendations

The Committee recommends that the Secretary to Ward Committee to ensure strict compliance with the provisions of Section 21 of Tana River County Ward Bursary Fund Act, 2014 with regards to preparation and submission of quarterly reports and summary of annual reports to the Ward Bursary Committee.

CHAPTER THIRTY-ONE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR THARAKA NITHI COUNTY BURSARY DEVELOPMENT FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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 a **qualified opinion** on the financial statements of the Tharaka Nithi County Bursary Development Fund for the financial year under review on the following basis-

1. Unsupported Expenditure – Scholarship and Student Bursaries

The Statement of Financial performance reflects general expenses totaling Ksh. 22,753,631 as disclosed in Note 3 to the financial statements. Included in the balance is Ksh. 20,160,831 in respect to Scholarship and Student Bursaries. However, bursaries totaling to Ksh. 14,595,499 (72%) were acknowledged by the respective beneficiary schools while bursaries totaling to Ksh. 5,565,332 (28%) were not supported acknowledged from the recipient schools.

Further, included in the Ksh. 20,160,831 was Ksh. 217,000 issued as bursaries to Seventy (70) students whose admission numbers were not availed for audit review.

In the circumstances, the validity of Ksh. 20,160,831 expenditure in respect to scholarship and student bursaries for the year ended 30th June 2020 could not be ascertained.

Management Response

The Management confirms awarding an amount totalling to Ksh. 20,160,831 for Scholarship and school bursaries during the year under review. During the time the audit was been conducted most of schools had been closed due to covid pandemic thus delaying release of cheques as well as those that had been paid not able to obtain the acknowledgement from the beneficiary's schools.

Further, it is imperative to report that, the amount of Ksh. 5,565,332 without acknowledging receipts, include unpresented cheques that turned stale and reversed in

August 2021 amounting to Ksh. 3,571,500. These were cheques that the beneficiaries had not collected from our office or were dispatched through courier services but had not being cashed. The beneficiaries who did not receive their bursary were reconsidered for award in the following year for those who were still in school.

The management has managed to obtain all acknowledgements from the schools and tertiary institutions that received the funds including the balance of Ksh. 1,993,832 and hereby avail the same for audit review and verification.

The issue of Ksh. 217,000 paid to Seventy (70) students without admission numbers was cases where the new entrants into Sec. schools and colleges having not been issued with admission numbers by respective schools. However, we have managed to obtain the student's admissions numbers as per attached schedule.

Committee Observations

The Committee observed that-

i. whereas the acknowledgement receipts and list of beneficiaries with 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.
ii. The management submitted evidence of the reversal of stale cheques amounting to Kshs. 1,245,000 therefore, supporting the remaining unsupported bursary disbursements.

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. Understated Cash and Cash Equivalents – Stale Cheques

The statement of financial position as at 30th June 2020 reflects cash and cash equivalent balance of Ksh. 913,958 as disclosed in Note 6 to the financial statements. However, the respective bank reconciliation statement reflects unpresented cheques totalling to Ksh. 3,571,500 which includes stale cheques totalling to Ksh. 1,245,000 that had not been replaced or reversed in the Cashbook as at 30th June 2020 thereby understating the Cashbook balance by the same amount.

In the circumstances, the accuracy of the Ksh. 913,958 in respect to cash and cash equivalent a at 30th June 2020 cannot be ascertained.

Management Response

The Management confirms having unrepresented cheques amounting to Ksh. 3,571,500 as per the bank reconciliation for June 2020.

The cheques were dated 21st February 2020 with validity of six (6) months hence as at 30th June 2020 the cheques were not stale and hence could not be reversed as at that date. The cheques were reversed during the month of August 2020 as per attached Cashbook.

Committee Observations

The Committee observed that whereas the evidence of the reversal of stale cheques amounting to Kshs. 1,245,000 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 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 Presentation of the Financial Statements

A review of the Financial Statement revealed that details of the Board and the Management Team members' date of birth were not included in the financial statements contrary to the Public Sector Accounting Standard Board (PSASB) template issued in June, 2020.

In the circumstances, the presentation of the Fund's Financial Statement for the year under review is not in conformity with the PSASB prescribed format.

Management Response

The Management took note of the audit finding on presentation of the financial statements and confirm the details on the date of birth of Bursary Committee and Management Team are properly provided in our subsequent years as evidenced on the extract of Bursary Fund Development Fund Administrative Committee report on Financial Statement for the year ended 30th June 2023.

Committee Observations

The Committee observed that the Financial Statements of the Fund did not include details of the Board and the Management Team members' date of birth contrary to template issued by Public Sector Accounting Standard Board (PSASB). The query did not recur in the subsequent financial years.

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 –

1.0 Lack of Criteria for Expenditure Ceilings on Disbursement of Bursaries

The statement of financial performance reflects general expenses totalling Kshs.22,753,631 as disclosed in Note 3 to the financial statements. The balance includes Kshs.2,592,800 (11%) in respect to subsistence allowance spent on disbursement of bursaries. However, the criteria on expenditure ceiling for bursaries disbursement was not provided for audit review. The Fund therefore risk spending more funds on disbursement of bursaries instead of giving the same to the needy students.

Consequently, lack of criteria for expenditure ceiling on disbursement of bursaries may result in the Fund not optimally serving the needy student in future.

Management Response

We take note of the Audit finding in respect to failure to set limit on expenditure on administrative expenses.

The expenditure incurred on fund administration expenses relate to Subsistence allowance paid to Ward Bursary Committees which was necessary in order to comply with the Bursaries Act that requires the award of bursary be done at Ward level hence need to establish and facilitate the Ward Bursaries Committee across all the County wards. The Management exercise utmost prudence and frugality when authorizing such expenditure by ensuring that the committee meetings held are reduced to bear minimum to transact the business within the maximum of two days to review, vet and award bursary applications.

The Bursary Fund Board has adopted the limit set by the Public Finance Management Regulations, 2015 Paragraph 197 (d) which states that; the administration costs of the Fund shall be a maximum of three (3%) percent of the approved budgets of the Fund expenditure.

Committee Observations

The Committee observed that 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.

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 THIRTY-TWO

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA COUNTY ELIMU BURSARY FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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-

Other Matter

Lack of an Approved Budget

The summary statement of comparison of budget and actual reflects a final total income budget of Kshs. 75,000,000 and actual receipts on comparable basis of Kshs. 55,000,000. The statement also indicates that a bursary payment of Kshs. 100,747,000 were made while the fund did not have a budget on the item. Further management did not have an approved an approved budget for the 2019/2020 financial year, therefore contravening section149(2h) of the Public Finance Management Act, 2012, which requires the accountings officer to prepare estimates of expenditure of the conformity with the strategic plan.

Management Response

The budget was discussed and approved and is available for audit review

Attached Approved fund budget, Trans Nzoia County Elimu Bursary Fund Board Minutes approving the County Elimu Bursary Budget.

Committee Observations

The Committee observed that 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.

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. Lack of Acknowledgement of Bursary Disbursement

As disclosed in Note 3 to the financial statement, the statement of financial performance reflects a bursary payment of Kshs. 100,747,000 which relates to scholarships and emergency bursaries. However, most learning institutions where the bursaries were disbursed did not submit acknowledgment receipts to confirm that they had received the money and debited the students' accounts as required.

In the circumstances, the propriety of the Kshs. 100,747,000 bursary payments could not confirmed.

Management Response

The previously received acknowledgment receipts are available for audit review. Acknowledgment receipts attached.

The mode of distribution of cheques by the various stakeholders like MCAs and ward administrators presented challenges on receipts of acknowledgments and has since been stopped, currently, the distribution is done by county staff who on delivery of the cheques and payment schedule indicating the list of bursary beneficiaries collect the

official receipt of the institutions and letters of acknowledgment from the respective institutions.

Committee Observations

The Committee observed that the management failed to provide acknowledgement letters and receipts to support disbursements amounting to Kshs. 100,747,000 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. Payment of Committee Allowances Using Unapproved Rates

As disclosed in Note 2 to the financial statement, the statement of financial performance reflects fund administration expenses of Kshs. 2,175,000 which relates to the payment of committee allowance to fund the Board during the year. However, there are no stipulated rates for the committee allowances and management used an unapproved rate of Kshs. 1,000 per sitting per member.

In the circumstance, the propriety of the Kshs. 2,175,000 incurred in fund administration expenses could not be confirmed.

Management Response

The rates paid as a committee allowance are within the SRC and have been set between Kshs. 500 and Kshs 2,000 for lunch and or dinner subject to one's job ranking. The rate

of Kshs. 1,000 Paid as committee allowances is inclusive of transport and lunch allowances for the Elimu Bursary Fund ward committees and Elimu Bursary Fund board.

Committee Observations

The Committee observed that whereas the management clarified that the rate of Kshs.1000 used as Committee allowance to fund the Board was within the SRC approved rates within the SRC CIRCULAR MSPS/18/2A/(89), 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 and any necessary 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.

CHAPTER THIRTY-THREE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TURKANA COUNTY EDUCATION AND SKILLS DEVELOPMENT FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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-

1.0 General Expenses

1.1 Variance and Other Anomalies on the General Expenses

1.1.1 The statement of financial performance for the year ended 30 June, 2020 reflects general expenses of Kshs.392,112,470 which relates to other expenses-fees subsidies as disclosed in Note 8 to the financial statements. A review of the list provided for audit indicated that the ward appraisal committee had allocated an amount of Kshs.457,499,800 to 56,944 students within the County in three phases resulting to a variance of Kshs.65,387,330.

1.1.2 In addition, included in the Kshs.457,499,800 is Kshs.172,463,000 relating to phase 2 of 2018-2019 bursaries and which was not treated as expenses in 2018-2019 financial statements in accordance with the accrual concept of accounting which requires that revenue or expenses are recorded when a transaction occurs rather than when payment is received or made.

1.1.3 Further, the following additional anomalies were noted:

- Documents such as death certificates in case of total or partial orphans and terminal report forms for continuing students were not attached to application forms.
- Reasons for award were not duly completed and application forms signed by the chairperson and secretary to the ward appraisal committee.

- Minutes of ward appraisal committee do not show how all applicants were vetted to come up with the final list of beneficiaries.
- There is no evidence to show that the Management Committee periodically produced and shared disbursement reports with the Governor and the County Assembly.
- There was no evidence that the ward appraisal committee held meetings in public as required by Section 22(b) of Turkana County Education and Skills Development Act, 2014.
- There was no evidence that successful applicants were notified through a gazette notice as well as written communication as required by Section 22(c) of Turkana County Education and Skills Development Act, 2014.

Management Response

1.1.1 The fund had a total budget of Kshs.464,684,653 comprising of Kshs.294,000,000 allocation for the year and Kshs. 170,684,653 carried forward from previous financial year. The total budget of Kshs.464,684,653 was allocated to administration and school fees subsidy of Kshs.23,234,232.60 and Kshs.441,450,420 respectively. The need presented by ward appraisal committees of Kshs.457,499,800 exceeded the amount available for bursary disbursement during the year therefore rationalization was done to arrive at the actual bursary disbursement of Kshs.392,112,47. Rationalization involved eliminating duplicates and students with forms having incomplete information. The balance of Kshs.50,046,845 not disbursed during the year was carried forward to the financial year 2021-2022.

1.1.2 The balance of Kshs.170,164,225 not expensed in FY 2018-19 was carried forward and appropriated in FY 2019-20. (Refer to annex 1: Extract of statement of comparison of budget and actual for the year ended 30th June,2020). The ward appraisal committee had not approved the disbursement in FY 2018-2019 due to delay in exchequer releases which occasioned delay in transfer of money to the skills fund.

1.1.3 The fund management has been conducting capacity building trainings for the ward appraisal committees and the Sub County Education Officers to enable them undertake their roles efficiently which includes proper documentation, vetting and scrutiny of application forms.

The Management Committee periodically shared disbursement reports with the Governor and the County Assembly.

The ward appraisal committee held meetings in public as required by Section 22(b) of Turkana County Education and Skills Development Act, 2014.

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.

Committee Observations

The Committee observed that—

i. The management clarified that the variance of Kshs.65,387,330 within the expenses balance was due to an amount that was carried forward from the previous financial year, therefore, the matter was addressed.

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.

iii. whereas the management provided evidence showing that disbursement reports were shared with the Governor and 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—

i. **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; 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.**

1.2 Disbursements of Fees Subsidies during the COVID-19 Pandemic Period

Documents provided for audit revealed that Kshs.96,900,200 out of the fund's disbursements of Kshs.392,112,470 was disbursed in the months of May and June, 2020. The Management has not explained why the funds were disbursed to schools yet the schools had been closed due to the COVID -19 pandemic. Further, there is no evidence of acknowledgement the funds by the respective schools. In addition,

there was no evidence that the fees subsidies were approved by the ward appraisal committees.

In the circumstances, the accuracy and completeness of the general expenses balance of Kshs.392,112,470 for the year ended 30 June, 2020 could not be confirmed.

Management Response

The fund management disburses funds in two phases. The process had started through advertisement and ward appraisal committee had already allocated fees subsidy to needy students in various institutions and wards. Disbursement was done in May and June 2020 because learning was happening especially at the university level. Furthermore, the disbursement is done per student and therefore once the school credits a student account the student will not be required to pay again. Nobody knew with certainty at that time the end of the pandemic.

The management received acknowledgement receipts from the respective schools that received the funds during COVID-19 period.

Committee Observations

The Committee observed that—

i. The management clarified that disbursements were done in May and June of 2020 as some students, especially university students, continued learning during that period.
ii. The acknowledgement receipts provided by the management for audit verification were not sufficient.
iii. whereas the Ward Appraisal Committee minutes for approval of fees subsidies 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.**

Other Matter

1.0 Budget and Control Performance

1.1 Lack of approved Budget

The Fund Management did not provide the approved budget for audit contrary to Section 149(2)(h) of the Public Finance Management Act, 2012 that requires the accounting officer to prepare estimates of the expenditure of the entity in conformity with strategic plan and Section 149(2)(i) which requires the accounting officer to submit the estimates of an entity which is not a County Corporation to county Executive Committee member for Finance.

The Fund's Management is in breach of the law and the propriety of the total payments of Kshs.414,637,840 for the year ended 30 June, 2020 could not be confirmed.

Management Response

The fund was allocated Kshs.294,000,000 in the approved budget for the Financial Year 2019/2020. Further the county secretariat approved the fund operational budget on 12th March,2020.

Committee Observations

The Committee observed that whereas the approved budget for the financial year under review 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 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 -Compliance to Public Finance Management (County Governments) Regulations, 2015

Included in the total expenses of Kshs.414,637,840 reflected in the statement of financial performance for the year ended 30 June, 2020 is fund administrative expenses of Kshs.22,525,338 which is approximately 8% of the actual income of Kshs.294,000,000 contrary to Section 197(1)(d) of Public Finance Management (County Governments) Regulations, 2015, which requires that fund administration costs of County Public Fund to be at a maximum of three (3%) percent of the approved budget of the Fund.

In the circumstances, the Fund's Management breached the law.

Management Response

The fund had a total budget of Kshs.464,684,653 comprising of Kshs.294,000,000 allocation for the year and Kshs. 170,684,653 carried forward from previous financial year. The total budget of Kshs.464,684,653 was allocated to administration and school fees subsidy of Kshs.23,234,232.60 and Kshs.441,450,420 respectively.

The administration budget amount of Kshs.23,234,232.60 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.22,525,338 which is within the 5% of Kshs. 464,684,653. 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.

2.0 Appointment of the Fund's Secretariat

Page ii of the Fund's financial statements reflects Key entity information containing members of the secretariat which include a female and male representative. However, there was no evidence to confirm that the appointment of the two members was approved by the County assembly. Further there was no evidence to confirm that the female and male representative were of high integrity as stipulated in Section 8(2) of the Turkana County Education and Skills Development (Amendment) Act, 2016 which requires that the female and male representatives appointed by the County Executive Committee member for Education with the approval of the Member of the County Assembly must be persons of high integrity, good moral standings and have wide experience in management of education in the County.

In the circumstances, the Fund's Management breached the law.

Management Response

The County Executive Committee Member for Education, Sports and Social Protection appointed the male and female representatives in accordance with Section 8 (2) of the Turkana County Education and Skills Development (Amendment) Act, 2016 on 22nd October, 2019.

Committee Observations

The Committee observed that the management failed to provide the County Assembly's approval for the appointment of the male and female representatives to the Fund's secretariat for audit review.

Committee Recommendations

The Committee recommends that—

i. **the Accounting Officer and the County Executive Committee Member (CECM) for Education to ensure strict compliance with the provisions of section 8(2) of the Turkana County Education and Skills Development (Amendment) Act, 2016 with regards to the appointment of representatives.**
ii. **The County Executive Committee Member (CECM) for Education to ensure that the process for appointment of the Secretariat is regularised.**

3.0 Failure to Submit Audited Reports to County Assembly

Documents provided for audit revealed that the Fund's financial statements for the years ended 30 June, 2016, 2017 and 2018 were concluded and audit certificates issued to the Fund's Management by the Auditor General.

However, there was no evidence that the financial statements have been submitted to the County Assembly contrary to Section 149(1) of the Public Finance Management Act, 2012 which states that an accounting officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is — (a) lawful and authorised; and (b) effective, efficient, economical and transparent and Regulation 19(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the standing committee shall generally be responsible for the following - (f) monitor the effectiveness of the corporate governance practices under which the entity operates and propose revisions as may be required from time to time; (g) monitoring timely resolution of audit issues;

In the circumstances, the Fund's Management breached 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

The Committee observed that whereas the management clarified that Audit reports are forwarded by the Auditor-General to oversight bodies, including County Assemblies after audit has been concluded, 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 and any necessary 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.

4.0 Unresolved Prior Year Audit matters

There were issues raised in the audit report for 2018/2019 financial year of which no report or recommendations from the Fund Management were submitted for audit verification and clearance. The issues therefore remain unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require accounting officers designated for county government entities to try to resolve any issues resulting from an audit that remain outstanding.

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

Management Response

The Auditor General audit report for the year 2018/19 raised 4 audit queries as indicated in the table below. All of the prior year issues have been responded to in the subsequent year

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 THIRTY-FOUR

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR UASIN GISHU COUNTY BURSARY AND SKILLS DEVELOPMENT SUPPORT FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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 based on the following basis—

1. Presentation of Financial Statements

The financial statements submitted for audit were prepared on International Public Sector Accounting Standards (Cash Basis) instead of International Public Sector Accounting Standards (Accrual Basis) as required by the Public Sector Accounting Standards Board.

Under the circumstances, the financial statements are not accurately presented in accordance with International Public Sector Accounting Standards.

Management Response

The County acknowledges the observation. This was an oversight which was corrected in the subsequent financial years.

Committee Observations

The Committee observed that the financial statements of the Fund were prepared on Cash Basis contrary to the accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) which require financial statements to be prepared on Accrual Basis.

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. Unsupported Bursary Disbursements

The statement of receipts and payments for the year ended 30 June, 2020 reflects transfers to Other Government unit figure of Kshs. 93,508,190 which relate to scholarships and other educational benefits to thirteen thousand, nine hundred and sixty-two (13,962) students from the thirty (30) wards in the County. However, acknowledgement letters/receipts from institutions for payments totaling Kshs. 8,137,900 were not provided for audit review.

Further, no documentary evidence was provided to indicate that the County Education Fund Committee inquired whether the beneficiary students did not receive funding from other donors to avoid duplication in accordance with Section 22(4) of the Uasin Gishu Bursary and Skills Development Support Fund Disbursement Act, 2014.

Consequently, validity of bursary disbursement amount of Ksh. 93,508,190 for the period ending 30 June, 2020 could not be confirmed.

Management Response

The County acknowledges the observations. By the end of FY 2019//2020 Cheques totaling to Ksh 8,137,900 had not been presented since schools and colleges were closed due to Covid 19 Pandemic. Upon opening of schools and colleges in 2021, the beneficiaries brought back the stale cheques in phases and were subsequently replaced and acknowledged

Other donors

The County bursary committee before awarding of bursaries, communicates through writing to all ward bursary appraisal committees to strictly adhere to section 22(4) of the Uasin Gishu County Bursary and Skills Development Support Fund Disbursement Act 2014 in order to avoid double funding. In addition, the chiefs who are ex-officio members of ward appraisal committees are involved by CDF and other donors to identify needy beneficiaries thus assist the ward bursary appraisal committees to isolate students funded by other donors.

Committee Observations

The Committee observed that—

i. whereas the acknowledgement letters to support bursary disbursements amounting to Kshs. 8,137,900 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 failed to provide evidence to show that the County Education Fund Committee made enquiries to confirm whether the beneficiary students had received funding from other donors to avoid double award.

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 Ward Bursary Committees to ensure strict compliance with the provisions of section 22(4) of the Uasin Gishu County Bursary and Skills**

Development Support Fund Disbursement Act, 2014 with regards to avoidance of double funding of an applicant; and

iii. **the County Executive Committee Member (CECM) in charge of Education ensures that a centralized database with unique identity tracking is implemented to ensure all bursary applicants and recipients are consistently recorded to prevent duplication.**

Other Matter

1. Budgetary Control and performance

The summary statement of appropriation-recurrent for the year under review reflects total budgeted receipts of Kshs. 98,769,428 and actual receipts of Kshs. 95,000,000 resulting to underfunding of Kshs. 3,769,428 or 4% of the budget.

The underfunding indicates that planned programs or activities were not implemented thus not achieving the intended objective of the fund.

Management Response

The observation has been acknowledged of the finding. Kshs 3,769,428 had been indicated as an adjustment in the financial statement but it was an opening balance from the prior year.

Committee Observations

The Committee observed that the Fund had an underfunding of Kshs. 3,769,428 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.

2. Unresolved Prior Year Matters

In the report of the previous year, several issues were raised under Report on Financial Statements and Report on Lawfulness and Effectiveness in use of Public Resources. However, although the Management has indicated that all the issues have been resolved,

report on the recommendations from oversight bodies on how the matters were resolved was not provided for audit verification.

Management Response

The County acknowledges the observation. The County Assembly had invited all funds to appear before the PAC session on 26th January 2021 to deliberate of the OAG report 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 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.**

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 develop Regulations to the Act

The County Executive Member in charge of Education has not developed regulations, policies and procedures that would enable proper implementation of 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 Skills Development Support Disbursement Act, 2014.

The Management is in the breach of Law.

Management Response

The County 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, 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.

CHAPTER THIRTY-FIVE

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR UASIN GISHU COUNTY EDUCATION REVOLVING FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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-

1.0 Inaccuracies in the Financial Statements

1.1 General Expenses

As disclosed under Note 8 to the financial statements, the statements of financial performance for the year ended 30 June,2020 reflects general expenses balance of Kshs.57,925,445 which includes other expenses amount of Kshs.57,920,780 being loan disbursed to students beneficiaries, erroneously disclosed under other expenses. This error has resulted in the statement of financial performance reflecting a deficit of Kshs. 24,319,447 instead of a surplus of Kshs. 33,001,333 as indicated in the statement of changes in net assets.

Management Responses

The matter was acknowledged and corrected accordingly in the subsequent financial years.

Committee Observations

The Committee observed that an amount of Kshs.57,920,780 was disclosed as other expenses instead of loan disbursements. The error is yet to be 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.**

1.2 Statement of changes in Net Assets

The statement of financial position reflects revolving fund and accumulated surplus balances of Kshs .193,084,842 and Kshs.33,001,333 respectively, while recasting of the statement of changes in net assets results to a revolving fund balance Kshs.138,084, 105 and accumulated surplus of Kshs.87,986,070 which are at variance with the amounts reflected in the statement of financial position by Kshs.54,984,737 being the prior year surplus wrongly included under revolving fund.

In the circumstances the completeness and accuracy of the financial statements for the ended 30 June, 2020 could not be confirmed.

Management Response

The observation has been noted and acknowledged. The surplus wrongly included under the revolving fund was adjusted in the subsequent financial year.

Committee Observations

The Committee observed that the variance of Kshs. 54,984,737 within the statement of changes in net assets 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 Inaccuracy of long term Receivable from Exchange Transactions

The statement of financial position reflects long term receivables from exchange transaction Balance of Kshs.187,706,150 as at 30 June, 2020 being loans disbursed to student's beneficiaries admitted in various technical Institutions and colleges. However, the balances excludes loans amounting to Kshs.11,793,489 advanced to students admitted in vocational training centers in the year 2017/2018. No explanation has been provided for this omission.

In addition, the long term receivable from exchange transactions of Kshs.187,706,150 was not supported with registers or ledgers with details on how much each student applied for and the amount approved by the Board, interest charged and subsequent recoveries after completion of the training .

Further, there is no evidence that an assessment for impairment as at 30 June, 2020 was done in respect to the long-term receivables.

Consequently ,the accuracy and completeness of along-term receivables from exchange transactions balance of kshs.187,706,150 as at 30 June,2020 could not be confirmed.

Management Response

The observation was noted and the payment schedule of Ksh. 11,793,150 has been provided. The fund targets the vulnerable students and the amount to be approved is determined by the fee structure, which is to be funded fully. This amount is inclusive of total long-term receivables Ksh. 187,706,150.

The process of funding the students begins from the sensitization of the public on the program before advertisement of the selected courses is done. Students then apply and vetting of the applicants is done at the ward level. Finally, the successful applicants are approved at the County Hall. 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.

During the time of audit review, the fund was still using the Principal Act of 2016 which did not have the interest to be charged neither did it have the maturity date as it allowed the loanee to repay after gainful employment. However, the Act was amended in the

year 2022 and the element of interest incorporated as indicated in the amortization schedule attached.

Committee Observations

The Committee observed that—

i. the long-term receivables balance of the fund excluded an amount of Kshs.11,793,489 which was advanced to students admitted in vocational training centers in the Financial Year 2017/2018.

ii. whereas the application forms to support the amount of Kshs.187,706,150 and details on the loan awarding process 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 ensures that the amount of Kshs.11,793,489 in respect to loans advanced to students admitted in vocational training centers in the year 2017/2018 is correctly reflected within the financial statements of the fund of the subsequent financial 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; and**

vii. **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 budget comparison of the budget and amounts reflects budgeted receipts and actual amounts on comparable basis of Kshs.40,000,000 and Kshs.33,005,998 respectively resulting to an under funding of Kshs.6,994,002 or 17% of the budget. Similarly the Fund spent Kshs. 57,925,445 against a budgeted expenditure of Kshs. 40,000,000 resulting to an over expenditure of Kshs.17,925,445 or 44% of the budget. There is need for Management to re look at its budget making mechanism with a view of coming up with a more realistic budget.

Management Response

The amount Ksh. 40,000,000 was an approved budget for the financial year 2019/2020 but the County received Ksh. 33,000,000 from the exchequer hence the under-funding.

Ksh. 63,299,472 was the balance brought forward from the previous financial year 2018/2019 while Ksh. 33,000,000 was the amount received from the exchequer and Kshs 5,998 a refund for undercast in the bank balance resulting to an accumulated amount of Kshs 96,305,470.

Out of Kshs 96,305,470, an amount of Kshs 57,925,445 was spend during the year under review resulting to unspent balance of Kshs 38,380,025 that was carried forward to the FY 2020/2021.

Committee Observations

The Committee observed that—

i. the Fund had an underfunding and an under-expenditure of Kshs.6,994,002 or 17% of the budget during the financial year under review, as a result of late exchequer releases.

ii. The Fund had an over-expenditure of Kshs.17,925,445 or 44% 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.**

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 Gender Inequality in the County Education Loans Board

A review of records revealed that the Board of Management comprised of seven (7) male members or 78 % and two (2) female members or 22% contrary to Article 197(1) of the Constitution of Kenya, 2010 which provides that not more than two-thirds of the members of any County Assembly or County Executive Committee shall be of the same gender and Section 8 (1) of Uasin Gishu County Education Revolving Fund Act, 2016 which provides that the appointing authority shall observe the provisions of the Constitution regarding gender balance, marginalized persons, minorities, the youth and persons with disabilities.

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). 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 in the table below:

County Education Revolving fund Committee

Ref	Name	Position
1	Dr. Joel Chelule	Chairman
2	Dr.Susan Keino	Vice Chairperson
3	Dr David Kessio	Member /Representative Technical and higher Education
4	Dr Joseph Lelan	Member
5	Dr. Stellah Jepngetich Ketter	Member
6	Abigael mukosi	Member representing youth
7	Peter Kiarie	Member representing minority
8	Esther Jepchirchir	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.

2.0 Irregular Composition of the Ward Committee Membership

As previously reported, the thirty (30) administrative wards in the County have ward committees established pursuant to section 13 of Uasin Gishu County Education Revolving Fund Act, 2016 to receive and vet loan applications . The committee Members were appointed by County Executive Committee Member (CECM) for

Education, Culture ,Youth Affairs and Social Services in the year 2018 before the establishment of county education loans board that is mandated to appoint the ward committees . However, available information indicates that each of the thirty (30) administrative wards has between nine (9) and twelve (12) Committee members contrary to section 14(1) of Uasin Gishu County Education Revolving Fund Act ,2016, which states that the ward committee shall consist of seven (7) members chairperson ,deputy chairperson ,ward administrator, youth ,women and religious organization representatives and persons with disability representative.

Management Response

County acknowledges the observations and regrets the delay in appointing the ward committee. During the period under review, the fund used the ward bursary fund appraisal committee to get the applicants. However, the County is in the process of appointing the ward committee members for the revolving fund.

Committee Observations

The Committee observed that contrary to section 14(1) of the Uasin Gishu County Education Revolving Fund Act, 2016, ward committees in the County were appointed by the County Executive Committee Member (CECM) for Education instead of the County Education Loans Board. Further, the memberships of the ward committees were not in compliance with the requirements of section 14 of the Act.

Committee Recommendations

The Committee recommends that the County Education Loans Board ensures strict compliance with the provisions of section 14(1) of the Uasin Gishu County Education Revolving Fund Act, 2016 with regards to the appointment of the ward committee members.

3.0 Presentation of Financial statements – Missing Credit Risk Analysis

The financial statements submitted for audit for the year ended 30 June, 2020, do not contain analysis of the financial assets recorded in the financial statements into fully performing, past due and impaired, signifying the exposure to credit risk as required under significant accounting policy no,21(a)- credit risk. No explanation has been provided for the omission.

In the circumstances the presentation of the financial statements is not consistent with the financial reporting templates issued by the public sector accounting standards board.

Management Response

The finding has been acknowledged. As per the Act of 2022 Section 12(a), a loanee is required to repay the loan after graduating and securing gainful employment, this has slowed the process of analyzing and assessing their status.

Committee Observations

The Committee observed that the financial statements of the fund did not include a credit risk analysis contrary to the financial reporting templates issued 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.**

4.0 Non-Recovery of Loans

The statement of financial position for the year ended 30 June, 2020 reflects long term receivable from exchange transactions figure of kshs.187,706,150 which includes kshs.101,621,500 being loans advanced to students who completed their studies in the years 2015, 2016 and 2017. However , examination of the documents provided for audit revealed that the management of the fund was not recovering these long outstanding loans from the beneficiaries. Further there were no clear guidelines on how and when the loans will be repaid. In this regard, recoverability of the loans is doubtful.

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. This has resulted in a recovery of Ksh. 1,327,550.

Committee Observations

The Committee observed that 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.

5.0 Unresolved Prior Year Audit Matters

There were issues raised in the audit report for 2018/2019 financial year of which no report or recommendations from the Fund Management and oversight bodies were submitted for audit verification and clearance .Further, the issues remain unresolved contrary to section 149(2)(1) of the Public Finance Management Act ,2012 which require accounting officers designated for county government entities to try to resolve any issues resulting from an audit that remain outstanding.

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 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 THIRTY-SIX

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR VIHIGA COUNTY EDUCATION FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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-

1.0 Accuracy of the Financial Statements

1.1 Understated Ward Bursary Disbursement

As disclosed in Note 2(c) to the financial statements, the statement of financial performance shows a ward bursary disbursement amount of Kshs. 106,227,267 which includes an amount of other bursary (ward bursary disbursement) of Kshs. 96,100,000 while the ward bursary summary disbursement report under Note 6(c) to the financial statements reflects an amount of Kshs. 96,003,163 and summary disbursement report Note 6(d) to the financial statements reflects an amount of Kshs. 96,354,163 resulting in un-reconciled and unexplained differences of Kshs. 96,837 and Kshs. 254,163 respectively.

Consequently, the accuracy of the ward bursary disbursement of Kshs. 106,227,267 for the year ended 30th June, 2020 could not be confirmed.

Management Response

The Vihiga County Education Fund disbursed Kshs. 106,227,267 which comprises of Kshs. 10,127,267 and Kshs. 96,100,000 for scholarship and Ward bursary respectively. Kshs. 96,100,000 were funds transferred from Vihiga County Education Fund to Vihiga County Wards bursary fund accounts whereas; Kshs. 96,003,163 were disbursed from Vihiga County Wards bursary fund accounts to respective beneficiary learning institutions. Therefore, the variance of Kshs. 96,837 is the difference between fund disbursement from County Education Fund to Ward bursary fund from Ward bursary fund to learning institutions.

The summary on disbursement under note 6(d) of Kshs. 96,354,163 was a figure wrongly captured. The correct figure was Kshs. 96,003,163 and this has since been corrected. Kindly, note that the summary of disbursement was a disclosure and did not affect the financial statement.

Committee Observations

The Committee observed that Kshs. 96,354,163 was erroneously captured as bursaries disbursed to the beneficiaries. The correct figure disbursed was Kshs. 96,003,163 which has since been 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.**

2. Cash and Cash Equivalents- Un-Reconciled Ward Bank Account Balances

The statement of financial position shows a balance of cash and cash equivalents of Kshs. 9,127,396 as at 30 June,2020. Further, the management had twenty-five (25) separate bank accounts at ward levels as disclosed in Note 6(f) of the financial statements. These bank accounts had un-reconciled balances amounting to Kshs. 7,024,429 as at 30 June, 2020. Consequently, the accuracy validity and completeness of cash and cash equivalent balance of Kshs. 9,127,396 as at 30 June,2020 could not be confirmed.

Management Response

The bank reconciliation statement for the Vihiga County Education Fund account number 1173663711 was well prepared and the same is available for further verification. In regards to Ward bursary bank accounts, the management disclosed the bank details in the financial reports as required by the reporting template. Reporting the balances under cash and cash equivalent in the financial statement could result to double reporting since these funds were expensed in full at the time of disbursement.

Committee Observations

The Committee observed that—

i. out of the 25 Ward Bursary accounts, 19 were confirmed while 6 were not confirmed and there was an unconfirmed amount of Kshs. 1,000,000.
ii. the County Government was in the process of consolidating the 25 Ward Bursary bank accounts and operate under one account for accountability

Committee Recommendations

The Committee recommends that—

i. **the Auditor-General should follow up on the matter of closure of the 25 accounts and the unconfirmed 6 bank accounts and provide a status update on the same to the Committee in the subsequent audit cycle; and**
ii. **The Ethics and Anti-Corruption Commission (EACC) conducts investigations on the possible loss of Kshs. 1,000,000 and provides a status update on the same to the Senate within sixty (60) days from the adoption of this report.**

3. Unsupported Scholarship Fees

As disclosed in Note 2(c) to the financial statements, the statement of financial performance shows ward bursary disbursement amount of Kshs. 106,227,267 which includes scholarship fees for Kshs. 10,127,267 offered to different beneficiaries within

the County. However, there were no minutes to show how the beneficiaries were selected. Further, the bank statements to show that the funds were actually disbursed to different schools were also not provided for audit review.

Consequently, the validity of the expenditure of Kshs. 10,127,267 could not be confirmed or the year ended 30th June, 2020.

Management Response

The management relied on the scholarship guidelines on selection of beneficiaries of the Vihiga County Scholarship program. Further, the Vihiga County Oversight Committee through a meeting reviewed and adopted the respective beneficiaries as eligible for funding through the program.

The bank statement showing amounts disbursed is available for verification.

Committee Observations

The Committee observed that bursary disbursements of Kshs. 10,127,267 were not supported by minutes and criteria for selecting the beneficiaries. These documents were later provided for audit review and verification.

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. Incomplete Statement of performance against predetermined objectives

A review of the financial statements revealed that the Fund did not prepare a complete statement of the county government's entity's performance against predetermined objectives as provided for in the prescribed format by the Public Sector Accounting Services Board.

Further this is contrary to section 164(2)(f) of the Public Finance Management Act, 2012 which requires that the end of each financial year, the Accounting Officer when preparing financial statements of each County Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the County Government entity's performance against predetermined objectives.

Management Response

The financial statements were amended after the management letter was issued and the concerns of the Auditor addressed by including the statement of the County government entity's performance against predetermined objectives in the financial report. The same is available for further verification.

Committee Observations

The Committee observed that the financial statements were not prepared with regards to the standards set by the Public Sector Accounting Standards Board.

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.**

5. Presentation of the Financial Statements

A review of the financial statements shows that the Fund Accountant who signed the financial statements did not indicate the ICPAK member number as required by the revised Public Sector Accounting Standards Board Financial Reporting Template released in June 2020.

Consequently, the Fund is in breach of the standards for non-adherence to the revises reporting template requirements.

Management Response

The management through the department of Finance and Economic Planning seconded a registered accountant to the fund.

Committee Observations

The Committee observed that the Fund Accountant did not indicate the ICPAK member number as required by Public Sector Accounting Standards Board Financial Reporting template.

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 MATTERS

1. Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final expenditure budget and actual on comparable basis of Kshs. 123,246,848 and Kshs. 113,939,452 respectively resulting to under-expenditure of Kshs. 9,307,396 or 8% of the budget.

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

Management Response

The management acknowledged the auditors' observation on the above subject matter. 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 country shut down hence affecting the academic calendar. This hampered the operations of the fund in utilizing her budget.

Committee Observations

The Committee observed that the under-expenditure of the Fund was due to closure of schools during the Covid-19 pandemic that affected the operations of the Fund in utilizing the whole 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-SEVEN

REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR WAJIR COUNTY BURSARY FUND FOR THE FINANCIAL YEAR 2019/2020

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 2019/2020. 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. Late Submission of Financial Statements

The Bursary Fund financial statements for the financial year ended 30 June, 2020 were submitted to the Auditor-General on 16 December, 2021 close to eighteen (18) months after the close of the financial year. Their delayed submission flouted Section 116(7) of the Public Finance Management Act, 2012 and Section 47(1) of the Public Audit Act, 2015 which require financial statements of public entities to be submitted to the Auditor-General for audit within three months after the end of each financial year.

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

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 for Audit 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 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. Inconsistencies in Format and Presentation of Financial Statements

Review of the financial statements for the financial year ended 30 June, 2020 submitted for audit revealed the following anomalies:

i. Information about the Management team does not contain caption photographs of the members of the team as required by the reporting template prescribed by the Public Sector Accounting Standards Board (PSASB).
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 are not numbered.
i. 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.
ii. The management did not provide explanatory note in regard to expenditure totalling Kshs. 77,088,000 on scholarships and other educational benefits reflected in the statement of financial performance.

In the circumstances, 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 has been corrected as required by the reporting template.

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 consistent with the notes in support of the balances in the financial statements.
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. Failure to Follow Due Process in Preparing the Budget

The statement of comparison of budget and actual amounts reflects nil income budget and total expenditure budget of Kshs. 78,605,000. However, Management did not prepare and submit budget estimates to the County Executive Member for Finance as required by Section 149(2) of the Public Finance Management Act, 2012.

In the circumstances, it was not possible to confirm the accuracy of the budget balances reflected in the statement of comparison of budget and actual amounts.

Management Response

The Fund prepared its budget of Kshs. 82,000,000 for the Financial Year 2018/2019 and forwarded the estimates of expenditure to the County Executive Committee Member for Finance for approval and inclusion into the FY 2018/2019 County Budget. The FY 2018/2019 County Budget was appropriated by the County Assembly as required by law.

During the Financial Year 2018/2019 an amount of Kshs. 3,445,000 was spent from the Bursary Fund leaving an unutilized amount of Kshs. 78,555,000 that was brought forward to and spent as Bursaries during the Financial Year 2019/2020.

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.

4. Failure to Enact Bursary Fund Regulations

The Wajir County Bursary Fund Act, 2019 which established the Fund was assented to on 11th April, 2019. As at 1st March, 2022 when the audit was concluded, the Fund's regulations provided for under Section 32(3) of the Wajir County Bursary Fund Act, 2019 had not been prepared for approval by the County Assembly. As a result, there was no guidance to ensure that the operations of the Fund were carried out in compliance with the law that established the Fund.

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.

5. Failure to Secure Financial Data

The cash book provided for audit verification was maintained in MS Excel Worksheets. There was no evidence of adequate measures taken, including back-ups, to ensure security and integrity of the records in the cash book.

In the circumstance, there was risk of loss of the data and breach of its integrity.

Management Response

During the Financial Year 2019-2020 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 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.

6. Weaknesses in Internal Control-Unauthorized Bursary Payments

The statement of receipts and payments and Note 3 to the financial statements reflect bursary payments totalling Kshs. 77,088,000 paid during the year. However, payment vouchers for the expenditure were not authorized by the Fund Administrator.

As a result, the validity of the payments could not be confirmed.

Management Response

The payment vouchers were authorized and submitted for Audit review.

Committee Observations

The Committee observed that whereas the authorised payment vouchers 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.

7. Failure to Establish Audit Committee

Contrary to Section 155(5) of the Public Finance Management Act, 2012, the County Executive under which the Fund is established had not established an Audit Committee in the year under review. Section 155(5) provides for the establishment of the internal audit function and an Audit Committee of the Board. As such the Company did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.

In the circumstances, oversight on the Fund's operations was not properly established.

Management Response

The County has established the Audit Committee as per Section 155(5) of the PFM Act, 2012.

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.

8. Failure to Submit 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, the accuracy and validity of the opening balances in the financial statements for the financial year under review could not be confirmed.

Management Response

Mr. Chairman the Financial Statements for the FYs 2014-2015, 2015-2016, 2016-2017 and 2017-2018 has 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 the 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 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.

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.)