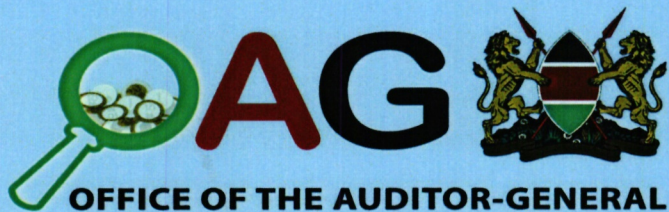


REPUBLIC OF KENYA

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# REPORT

OF

## THE AUDITOR-GENERAL

ON

### KERICHO COUNTY BURSARY FUND

#### FOR THE YEAR ENDED

#### 30 JUNE, 2017

PAPERS LAID	
DATE	09/03/2022
TABLED BY	SML
COMMITTEE	—
CLERK AT THE TABLE	CHEROP C.





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**COUNTY GOVERNMENT OF KERICHO**

**FINANCIAL STATEMENTS**

**KERICHO COUNTY BURSARY FUND**

**FOR THE PERIOD ENDED  
30.6.2017**

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



## COUNTY GOVERNMENT OF KERICHO

### *Bursary Fund Financial Statements*

*For the year ended 30th June 2017*

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#### **FOREWORD**

This is the County Government of Kericho Financial Report for the financial year 2016-2017 financial period ending 30th June, 2017 for the Bursary Fund. This report was prepared and presented as required by Section 168 of the *Public Financial Management (PFM) Act 2012*. The report expounds from national equitable share alongside the expenditure incurred by the county government in Emergency service provision.

The Constitution of Kenya Articles 2010 gives a constitutional right and requirement for the public to participate in budgetary process and prudent financial management of the public resources. According to the County Government Act, 2012 each county shall prepare a county integrated plan which shall be the basis for all budgeting and spending of public funds. The acts clearly states that “A county government shall plan for the county and no public funds shall be appropriated outside a planning framework developed by the County Executive Committee and approved by the County Assembly” The county integrated plan shall focus on economic, physical, social, environmental and spatial planning.

The guiding legislation is the Kericho County Bursary Fund Act, 2014 which was assented to on 6 May 2014 and commenced on 16th May, 2014. The purpose of the funds provide funds for granting bursaries to assist needy students to pursue education.

It is expected that this report will enable the county government to adequately monitor the challenges faced in budget implementation and use the lessons learnt in future economic forecasts. In addition, the report expounds on the actionable steps to be taken by all stakeholders in the subsequent reporting periods.

## **CHALLENGES, WAY FORWARD AND CONCLUSION**

### **Key challenges**

The following key challenges were noted during the financial year.

- a) Late release of the vetted beneficiaries from the wards committees
- b) Lack of acknowledgements on disbursements by educational institutions.

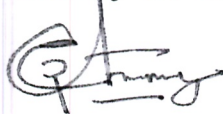
### **Way Forward**

The County Treasury considers the following suggestions as a way forward for challenges faced to speed up budget process

- a) Timely release of funds from the ward committees
- b) Proper and timely training before implementation of new systems and procedures.

### **Conclusion**

The operationalization of the fund in the 2016-2017 financial cycle will be greatly determined by the procurement processes. In addition, delay in funding from the national government continues to impact negatively on execution projects which may eventually lead to pending bills. The execution of the budget and the service delivery for citizens of the County Government will be achieved through collaboration of all the stakeholders in the national and county levels to bring out the potential of the County Government of Kericho.



Patrick Mutai

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



**COUNTY GOVERNMENT OF KERICHO**  
**Bursary Fund Financial Statements**  
**For the year ended 30th June 2017**

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**STATEMENT OF MANAGEMENT RESPONSIBILITIES**

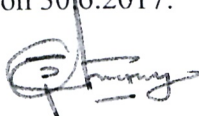
Section 166 of the PFM Act requires that an Accounting Officer for a County Government entity prepares a report for each year of the financial year in respect of the entity. The County Executive Committee (CEC) member for finance being the head of the County Treasury is responsible for the preparation and presentation of the County Government of Kericho financial statements, which give a true and fair view of the state of affairs of the County Government of Kericho for and as at the end of the year ended on 30.6.2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the County Government of Kericho; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the County Government; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The CEC member for finance accepts responsibility for the County Government of Kericho financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public-Sector Accounting Standards (IPSAS). The CEC member for finance is of the opinion that this report gives a true and fair view of the state of the County Government's transactions during the year ended 30.6.2016, and of its financial position as at that date. The CEC member for finance further confirms the completeness of the accounting records maintained for the County Government which have been relied upon in the preparation of this report as well as the adequacy of the systems of internal financial control.

The CEC member for finance confirms that the County Government has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the County Government's funds received during the quarter under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the CEC member for finance confirms that the County Government's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public-Sector Accounting Standards Board of Kenya.

**Approval of the financial statements**

The County Government's financial statements were approved and signed by the CEC member for finance on 30.6.2017.

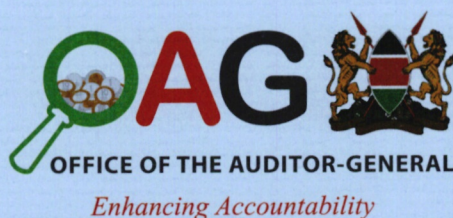


**County Executive Committee Member – Finance and Economic Planning**



# REPUBLIC OF KENYA

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Anniversary Towers  
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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KERICHO COUNTY BURSARY FUND FOR THE YEAR ENDED 30 JUNE, 2017**

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### REPORT ON THE FINANCIAL STATEMENTS

#### **Disclaimer of Opinion**

I have audited the accompanying financial statements of Kericho County Bursary Fund set out on pages 5 to 7, which comprise the statement of financial assets as at 30 June, 2017, the statement of receipts and payments and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

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

#### **Basis for Disclaimer of Opinion**

##### **1. Noncompliance with the Prescribed Format**

The financial statements have not been prepared in accordance with International Public Sector Accounting Standards – Accrual Basis and in the format prescribed by the Public Sector Accounting Standards Board (PSASB) as detailed below:-

- i. Financial statements were prepared on Cash Basis as opposed to Accrual Basis of accounting.
- ii. The following statements and reports were not prepared and included in the financial statements:
  - The statement of financial performance
  - The statement of financial position
  - The statement of changes in net assets
  - Statement of cash flows
  - Statement of comparison of budget and actual amounts
  - Summary of significant accounting policies
  - Statement of performance against County entity's predetermined objectives
  - The Fund Administration Committee



- Key entity information and management
- Report of the Fund Administrator
- Board chair report
- Corporate governance statement
- Corporate social responsibility statement/sustainability reporting
- Report of the Management committee
- statement of Management's responsibilities
- The statement of receipts and payments indicates transfer from national government entities which is not the case as the funds came from County Government.

Consequently, the presentation and disclosure of the financial statements did not comply with the format prescribed by the PSASB.

## **2. Unconfirmed Cash and Cash Equivalents**

The statement of financial assets reflects a bank balance of Kshs.115,228,903. However, the bank reconciliation statement as at 30 June, 2017 reflects a cashbook balance of Kshs.115,769,003 resulting to an unexplained difference amounting to Kshs.540,100. Further, bank confirmation certificate was not provided for verification.

Under the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.115,228,903 could not be confirmed.

## **3. Unsupported Bursary Disbursements**

The statement of receipts and payments reported total disbursements of Kshs.140,837,460 for the year under review. However, the disbursements were not supported with the relevant documents such as minutes, payment vouchers, acknowledgments, disbursement schedule amongst others. Further, the process of need identification and evaluation minutes of the Ward committees were not availed for audit. It was possible to confirm if the bursaries were issued to needy students in the County.

Consequently, the completeness, accuracy and validity of bursary disbursements amounting to Kshs.140,837,460 could not be confirmed.

## **4. Unsupported Administrative Expenses**

The statement of receipts and payments reflects administrative expenses amounting to Kshs.4,982,700. However, the amount was not supported with ledgers, schedules, payment vouchers or other relevant documents.

Consequently, the validity, completeness and accuracy of administrative expenses amounting to Kshs.4,982,700 could not be confirmed.

## **5. Wrong Classification of Balances**

The statement of receipts and payments reflects recalled bankers cheque and unspent funds amounting to Kshs.7,000 and Kshs.7,077,963 respectively being classified as part of the receipts during the year, instead of Fund balance and reversing the bankers cheque



in the cashbook thus overstating other receipts by the same amount. Further, the statement of receipts and payments reflects an amount of Kshs.254,000,000 being transfers from the county government which was treated as receipt instead of Fund balance.

Consequently, the classification, accuracy and completeness of receipts amounting to Kshs.261,084,963 could not be confirmed.

## **6. Late Submission of Financial Statements**

Section 164(4) of the Public Finance Management Act, 2012 requires that within three (3) months after the end of each financial year, the Accounting Officer for an entity shall submit the entity's financial statements to the Auditor-General. Further, Section 47 of the Public Audit Act 2015, requires all public entities to submit their financial statements to Auditor-General within three months after the end of each financial year. Contrary to these requirements, the financial statements for the year ended 30 June, 2017 were submitted for audit on 3 March, 2020.

The Fund Management was in breach of the Law.

## **7. Lack of an Approved Budget**

During the financial year the Management did not submit for audit the approved budget to confirm whether it had been prepared in accordance with section 20(1) of the Kericho County Bursaries Act, 2014.

Consequently, the Management was in breach of the law.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion

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

### **Conclusion**

I do not express a conclusion on the effectiveness of internal controls, risk management and overall governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion



section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

### **Responsibilities of Management and those Charged with Governance**

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

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article

229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

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



**CPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**03 February, 2022**



**COUNTY GOVERNMENT OF KERICHO**  
**Bursary Fund Financial Statements**  
**For the year ended 30th June 2017**

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**NOTES TO THE STATEMENTS**

**1-OPENING BALANCES**

At the beginning of the financial year the opening balance was Ksh 7,077,963.00 as seen in the attached documents in Annex 1.

**2-SCHOLARSHIP & EDUCATIONAL BENEFITS**

During the year a total of Ksh140, 837,460.00 were disbursed as bursaries as evidenced in the attached document, Annex 1

**3-ADMINISTRATIVE EXPENSES**

A total of kshs 4,982,700.00 were incurred as administrative costs as at end of the financial year.

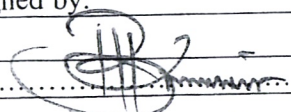
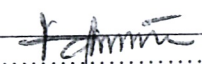
**4-BANK CHARGES**

A total of Ksh 35,900.00 was incurred as bank charges as at the end the financial year as evidenced in Annex 1

**5-CASH AND CASH EQUIVALENTS**

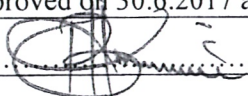
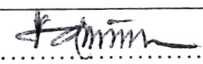
This means therefore that the balance as at end of the year is Ksh115, 228,903.00 as evidenced in Annex 1

**KERICHO COUNTY BURSARY FUND**  
**I. STATEMENT OF RECEIPTS AND PAYMENTS**

	Note	2016/17	2015/16
		Kshs	Kshs
<b>RECEIPTS</b>			
Transfers from National Government Entities		254,000,000	10,000,000
Unspent funds	1	7,077,963	26,456,793.5
Recalled EFT/bankers cheques		7,000	0
<b>TOTAL RECEIPTS</b>		<b>261,084,963</b>	<b>36,456,793.5</b>
<b>PAYMENTS</b>			
Disbursements	2	140,837,460	29,336,225
Administrative Expenses	3	4,982,700	0
Other Payments (Bank Charges)	4	35,900	42,605.5
<b>TOTAL PAYMENTS</b>		<b>145,856,060</b>	<b>29,378,830.5</b>
<b>SURPLUS/DEFICIT</b>		<b>115,228,903</b>	<b>7,077,963</b>
The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30.6.2017 and signed by:			
 ..... Fund Administrator : Benard Korir Chief Officer-Education		 ..... Fernandes Korir Head of Accounting Unit	



**I. STATEMENT OF FINANCIAL ASSETS**

	Note	2016/17	2015/16
<b>FINANCIAL ASSETS</b>		<b>Kshs</b>	<b>Kshs</b>
<b>CASH AND CASH EQUIVALENTS</b>			
Bank Balances	5	115,228,903	7,077,963
<b>TOTAL FINANCIAL ASSETS</b>		<b>115,228,903</b>	<b>7,077,963</b>
<b>FINANCIAL LIABILITIES</b>			
Accounts Payables – Deposits and retentions			
<b>NET FINANCIAL ASSETS</b>			
<b>REPRESENTED BY</b>			
Fund balance b/fwd			
<b>Surplus/Deficit</b>		<b>115,228,903</b>	<b>7,077,963</b>
The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30.6.2017 and signed by :			
 ..... Fund Administrator : Benard Korir		 ..... Fernandes Korir Head of Accounting Unit	
Chief Officer– Education			