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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**BARINGO COUNTY EDUCATION  
BURSARY FUND**

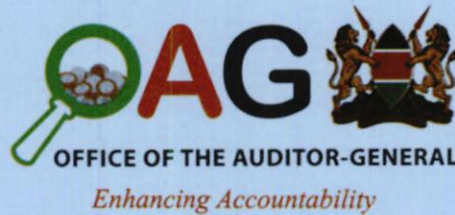
**FOR THE YEAR ENDED  
30 JUNE, 2017**





# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON BARINGO COUNTY EDUCATION 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 Baringo County Education Bursary Fund set out on pages 1 to 6, which comprise the statement of financial position as at 30 June, 2017, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

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

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

##### **1.0 Errors in Financial Statements Presentation and Disclosure**

The financial statements prepared and presented for audit did not meet the presentation framework issued by the Public Sector Accounting Standards Board and the following reports and statements were not included or were incomplete;

- 1.1. Key entity information by Management
- 1.2. The Board of Trustees
- 1.3. Details of Management Team
- 1.4. The Board and the Fund Chairperson's report
- 1.5. Report of the Fund Administrator
- 1.6. Corporate Governance Statement
- 1.7. Management discussion and analysis
- 1.8. Corporate Social Responsibility statement/sustainability report
- 1.9. Report of the Trustees



- 1.10. Statement of Management responsibilities
- 1.11. Blank page for the insertion of the Independent report of the auditor
- 1.12. Summary of significant accounting policies
- 1.13. Notes to the Financial Statements are incomplete
- 1.14. Other important disclosures
- 1.15. The financial statements do not have page numbers
- 1.16. The financial statements have been referred to as "Baringo County – Education Bursary and Scholarship Fund" instead of "Baringo County Education Bursary Fund" as per Section 3 of the Public Finance Management (Baringo County Education Bursary Fund) Regulations, 2014.

Consequently, the financial statements as prepared and presented do not comply with the format prescribed by the PSASB.

## **2.0 Inaccuracies in the Financial Statements**

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

- 2.1 The statement of financial performance reflects balance brought forward of Kshs.28,232,407 which relates to the closing surplus for the financial year 2015/2016. However, the disclosure is not in line with the International Public Sector Accounting Standards (IPSAS) No.1 on presentation of the financial statements which requires such opening balances to be reflected in the statement of financial position and not in the statement of financial performance.
- 2.2 The statement of financial position reflects deficit for the period of Kshs.25,520,305 while the statement of financial performance reflects surplus of Kshs.2,712,102 resulting to an unreconciled and unexplained variance of Kshs.28,232,407.
- 2.3 The statement of financial performance reflects surplus for the period of Kshs.2,712,102 while the statement of changes in net assets reflects a deficit of Kshs.45,520,305 resulting to an unreconciled and unexplained variance of Kshs.48,232,407.
- 2.4 The statement of changes in net assets reflects a revolving fund balance of Kshs.160,000,000 and a revaluation reserve of Kshs.123,560 which are not reflected in the statement of financial position and are unsupported by the relevant schedules.
- 2.5 The statement of financial performance reflects total revenue amount of Kshs.48,232,407 while the statement of comparison of budget and actual amount reflects Kshs.48,334,407 resulting to an unreconciled and unexplained variance of Kshs.102,000.
- 2.6 The statement of cash flows reflects net decrease in cash and cash equivalents of Kshs.25,520,305 for the financial year 2016/2017. However, re-casting of the same



revealed an amount of Kshs.2,712,102 thereby resulting to an unreconciled and unexplained variance of Kshs.28,232,407. Further, the statement reflects a net decrease in cash and cash equivalents of Kshs.2,692,832 for the financial year 2015/2016, while re-casting of the same revealed a net increase of Kshs.28,232,407 resulting to an unreconciled and unexplained variance of Kshs.30,925,239.

Consequently, the accuracy and completeness of the balances included in the financial statements for the year ended 30 June, 2017 could not be confirmed.

### **3.0 Unreconciled Bursary Expenditure**

The statement of financial performance reflects payments of Kshs.45,520,305 (2016 – Kshs.56,794,832) which includes award of bursaries to the needy/beneficiaries of Kshs.44,430,375. However, the schedule provided for audit reflected bursary awards of Kshs.11,017,500 resulting to an unexplained and unreconciled variance of Kshs.33,412,875.

Under the circumstances, the accuracy and completeness of the Kshs.44,430,375 on bursaries for the year ended 30 June, 2017 could not be confirmed.

### **4.0 Unsupported Administration Costs**

As disclosed in Note 2 to the financial statements, the statement of financial performance reflects payments of Kshs.45,520,305 (2016 – Kshs.56,794,832). Documents provided for audit revealed that the Kshs.45,520,305 includes administration costs of Kshs.1,083,000 which were not supported by detailed schedules and payment vouchers. In addition, the Kshs.1,083,000 exceeded Kshs.600,000 being 3% of Kshs.20,000,000 allocation for financial year 2016/2017. This contravenes Section 16(5) of the Public Finance Management (Baringo County Education Bursary Fund) Regulations, 2014 which states that for each disbursement, the Board shall set aside a sum of three per centum of the total allocation to cater for the administration expenses of the Fund. The sum set aside under this regulation shall be properly accounted for and proper books of accounts kept and returns made to the Board on how the sum has been used.

Under the circumstances, the accuracy and completeness of administration cost of Kshs.1,083,000 for the year ended 30 June, 2017 could not be confirmed.

### **5.0 Cash and Cash Equivalents**

As disclosed in Note 3 to the financial statements, the statement of financial position as at 30 June, 2017 reflects cash and cash equivalents balances of Kshs.2,712,102 (2016 - Kshs.28,232,407). However, the cashbook provided for audit reflects a negative balance of Kshs.4,582,761 resulting to an unreconciled and unexplained variance of Kshs.7,294,863. In addition, the negative cash book contravenes Section 119(4) of the Public Finance Management Act, 2012 which states that an accounting officer for a County Government entity shall not cause a bank account of the entity to be overdrawn beyond the limit authorized by the County Treasury or a Board of a County Government entity, if any.



Under the circumstances, the accuracy and completeness of reported cash and bank balance of Kshs.2,712,102 as at 30 June, 2017 could not be confirmed.

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

### Conclusion

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

### Basis for Conclusion

#### 1.0 Budgetary Control and Performance

The statement comparison of budget and actual amounts reflects final revenue budget of Kshs.48,232,407 and actual expenditure of Kshs.45,520,305 resulting to under absorption of Kshs.2,712,102. The under absorption may have impacted negatively on bursary awards to needy/beneficiaries. Further, the approved budget for the Fund was not provided for audit, which contravenes Section 31(a) of the Public Financial Management (County Governments) Regulations, 2015 which requires that all revenue and expenditure shall be entered into the county government budget estimates and approved for one year only. It also contravenes Section 99(2) of the Public Financial Management (County Governments) Regulations, 2015 which requires that the approved budget estimates of expenditure shall form the basis of the financial statements for the financial year.

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

#### 2.0 Non-Adherence to Education Bursary Fund Regulations

As disclosed in Note 2 to the financial statements, the statement of financial performance reflects Kshs.45,520,305 on Fund uses/expenditure/disbursements/administration costs which includes an award of the bursary to the needy/beneficiaries of Kshs.44,430,375. However, review of the awards revealed non-compliance to the Public Finance Management (Baringo County Education Bursary Fund) Regulations, 2014 as detailed below;

- 2.1 The Fund Administrator did not provide evidence of quarterly returns to the County Executive Member responsible for finance, County Assembly and the Board pursuant to Regulation 12(3). These returns include summary of beneficiaries and approval status of disbursements, disbursements to the ward, disbursements from County Government and restrictions imposed as per section 12(4)(a to d); and
- 2.2 Bursaries were not acknowledged in writing and formal receipts issued to the beneficiaries and bursary board as required by Regulation 17.



To this extent, the Fund's Management was in breach of the law.

### **3.0 Non-Response to Management Letter**

The Fund Management failed to respond to a Management Letter issued by the Auditor General dated 30 April, 2020, contrary to Section 31(4) of the Public Audit Act, 2015, which states that the accounting officer shall within fourteen (14) days from the date of receipt of the draft management letter, submit a response to the Auditor-General including remedial actions that have been undertaken to address any qualifications in the Draft Management Letter.

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

### **4.0 Late Submission of the Financial statements**

The financial statements for the year ended 30 June, 2017 were submitted late on 26 February, 2020 which is approximately twenty - nine (29) months after the expected date of submission of 30 September, 2017. This is contrary to Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate;

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **Lack of Risk Management Policy**

Documents provided for audit revealed that the Fund does not have a risk management strategy contrary to Section 158 (1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the accounting officer to develop risk management strategies, which include fraud prevention mechanism and internal control that builds robust business operations.

Under the circumstances, the Fund's risk management strategy for the year under review could not be ascertained.



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

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern 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 Fund's financial reporting process, reviewing the effectiveness of how the Fund monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance



processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, and Internal Controls, Risk Management and Governance sections of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

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



**CPA Nancy Gathungu, CBS**  
**Auditor-General**

**Nairobi**

**10 December, 2021**









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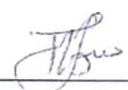
**BARINGO COUNTY EDUCATION BURSARY AND SCHOLARSHIP FUND**  
**REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2017**

**1.2 STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE, 2017**

		2016-2017	2015-2016
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	3	2,712,102.00	28,232,407.00
Prepayments			
Inventories			
<b>TOTAL FINANCIAL ASSETS</b>		<b>2,712,102.00</b>	<b>28,232,407.00</b>
<b>LESS: FINANCIAL LIABILITIES</b>			
Accounts Payable		-	-
<b>TOTAL FINANCIAL LIABILITIES</b>		-	-
<b>NET FINANCIAL ASSETS/(LIABILITIES)</b>		-	-
<b>REPRESENTED BY</b>			
Fund balance b/fwd		28,232,407.00	30,925,239.00
Surplus/Deficit for the year		(25,520,305.00)	(2,692,832.00)
Prior year adjustments		-	-
<b>NET FINANCIAL POSITION</b>		<b>2,712,102.00</b>	<b>28,232,407.00</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on \_\_\_\_\_ 2017 and signed by:

\_\_\_\_\_  
**Fund Administrator**  
**Name: Joseph Walharo (CO)**

  
 \_\_\_\_\_  
**Fund Accountant**                      **Name:**  
**CPA Thomas Chesaro ICPAK**  
**Member Number 15566**



**BARINGO COUNTY EDUCATION BURSARY AND SCHOLARSHIP FUND**  
**REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2017**

**1.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30<sup>TH</sup> JUNE, 2017**

	Revolving Fund	Revaluation Reserve	Accumulated Surplus / Deficit	Total Amount
	Kshs	Kshs	Kshs	Kshs
Balance as at 1 <sup>st</sup> July, 2015	86,000,000	21,560	(55,096,321)	30,925,239
Surplus / Deficit for the period	-	-	(56,794,832)	(56,794,832)
Funds Received During the Year	54,000,000	-	-	54,000,000
Revaluation Gain	-	102,000	-	102,000
Balance as at 30 <sup>th</sup> June, 2016	140,000,000.00	123,560.00	(111,891,153.00)	28,232,407
Balance as at 1 <sup>st</sup> July, 2016	140,000,000	123,560	(111,891,153)	28,232,407
Surplus / Deficit for the period	-	-	(45,520,305)	(45,520,305)
Funds Received During the Year	20,000,000	-	-	20,000,000
Revaluation Gain	-	-	-	-
Balance as at 30 <sup>th</sup> June, 2017	160,000,000.00	123,560.00	(157,411,458.00)	2,712,102.00

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30 JUL 2017



**BARINGO COUNTY EDUCATION BURSARY AND SCHOLARSHIP FUND**  
**REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2017**

**1.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2017**

Cash Flows from Operating Activities	Note	2016-2017 Kshs	2015-2016 Kshs
<b>Receipts for operating income</b>			
Opening Balance for the Period	1	28,232,407.00	30,925,239.00
Transfers from Baringo County, Loan Recovered and Interest Earned	1	20,000,000.00	54,102,000.00
<b>Total Receipts</b>		<b>48,232,407.00</b>	<b>85,027,239.00</b>
<b>Payments for operating expenses</b>			
Award of the Bursary Fund to the Needy / Beneficiaries	2	44,430,375.00	55,819,537.00
Domestic travel and subsistence Allowances (Adm. Costs)	2	1,083,000.00	968,200.00
Other operating expenses ( Bank Charges/Tax Deducted)	2	6,930.00	7,095.00
		<b>45,520,305.00</b>	<b>56,794,832.00</b>
<b>Adjusted for:</b>			
Decrease / Increase in Accounts Receivables (Outstanding Imprest)		-	-
Increase / Decrease in Accounts payables (Deposits and Retention)		-	-
Adjustments during the year			
<b>Net Cash flows from operating activities</b>		<b>2,712,102.00</b>	<b>28,232,407.00</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Property, Plant, Equipment and Intangible Assets		-	-
Proceeds from sale of Property, Plant and Equipment			
Proceeds from Loan Principal Repayments			
Loan Disbursement Paid Out		-	-
<b>Net cash flows from Investing Activities</b>		-	-
<b>Cash Flows from Financing Activities</b>			
Proceeds from Revolving Fund Receipts			-
Additional Borrowings		-	-
Repayment of principal on Domestic and Foreign borrowing		-	-
<b>Net cash flows from financing activities</b>		-	-
<b>Net Increase In Cash and Cash Equivalents</b>		<b>(25,520,305.00)</b>	<b>(2,692,832.00)</b>
Cash and cash equivalent at BEGINNING of the year		28,232,407.00	30,925,239
Cash and cash equivalents as at 30 <sup>th</sup> June, 2017		<b>2,712,102.00</b>	<b>28,232,407.00</b>

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**BARINGO COUNTY EDUCATION BURSARY AND SCHOLARSHIP FUND**  
**REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2017**

1.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE, 2017

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	% Utilisation
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Balance Brought Forward	28,232,407	-	28,232,407	28,232,407	-	100.00%
Transfer from County Government	20,000,000	-	20,000,000	20,000,000	-	100.00%
Interest Income	-	-	-	102,000.00	(102,000)	0.00%
Other Income	-	-	-	-	-	0.00%
<b>Total Income / Revenue</b>	<b>48,232,407</b>	<b>-</b>	<b>48,232,407</b>	<b>48,334,407</b>	<b>(102,000)</b>	<b>100.00%</b>
<b>Expenses</b>						
Award of the Bursary Fund to the Needy / Beneficiaries	19,400,000	-	19,400,000	44,430,375	(25,030,375)	229.02%
Domestic travel and subsistence Allowances (Adm. Costs) (3%)	600,000	-	600,000	1,083,000	(483,000)	180.50%
Other operating expenses ( Bank Charges/Tax Deducted)	-	-	-	6,930	(6,930)	0.00%
<b>Total Expenses</b>	<b>20,000,000</b>	<b>-</b>	<b>20,000,000</b>	<b>45,520,305</b>	<b>(25,520,305)</b>	<b>227.60%</b>
<b>Surplus / Deficit for the Period</b>	<b>28,232,407.00</b>	<b>-</b>	<b>20,000,000.00</b>	<b>45,520,305.00</b>	<b>(25,520,305.00)</b>	<b>227.60%</b>

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30 JUL 2017



**BARINGO COUNTY EDUCATION BURSARY AND SCHOLARSHIP FUND**  
**REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2017**

**NOTES TO THE FINANCIAL STATEMENTS**

**1 EXCHEQUER RELEASES/BARINGO COUNTY**

Description and reference of the transfer	Date of transfer	2016-2017	2015-2016
		Kshs	Kshs
<b>Revenue from Non-Exchange Transaction</b>			
Balance Brought Forward	1/7/2016	28,232,407	30,925,239
1st quarter transfer		-	-
2nd quarter transfer		-	-
3rd quarter transfer	9/03/2017	20,000,000	15,000,000
4th quarter transfer		-	39,000,000
		<b>20,000,000.00</b>	<b>54,000,000.00</b>
<b>Revenue from Exchange Transaction</b>			
Interest Income/Earned		-	102,000
		-	<b>102,000.00</b>
<b>Total</b>		<b>48,232,407.00</b>	<b>85,027,239.00</b>

**2 FUND USES / EXPENDITURE / DISBURSEMENT**

	2016-2017	2015-2016
	Kshs	Kshs
Award of the Bursary Fund to the Needy / Beneficiaries	44,430,375	55,819,537
Domestic travel and subsistence Allowances (Adm. Costs)	1,083,000	968,200
Other operating expenses ( Bank Charges/Tax Deducted)	6,930	7,095
<b>Total</b>	<b>45,520,305.00</b>	<b>56,794,832.00</b>

**3 Bank Accounts**

Name of Bank, Account No. & currency	2016-2017	2015-2016
	Kshs	Kshs
Equity Bank, Ac no. 1390262458895 (Kshs)	2,712,102	28,232,407
<b>Total</b>	<b>2,712,102.00</b>	<b>28,232,407.00</b>

[The bank account held by the entity]

30 JUL 2017

