

REPUBLIC OF KENYA



COUNTY ASSEMBLY OF WAJIR

THIRD ASSEMBLY-THIRD SESSION

PUBLIC ACCOUNTS & INVESTMENTS COMMITTEE

COMMITTEE REPORT ON:

THE EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF WAJIR COUNTY BURSARY FUND FOR THE YEAR ENDED 30TH JUNE 2019.

JULY, 2024

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LIST OF ABBREVIATIONS

AG	- Auditor General
FY	- Financial Year
PFMA	- Public Finance Management Act
PICPAC	- Public Investment and Accounts Committee
PSASB	- Public Sector Accounting Standards Board
COK	- Constitution of Kenya
CECM	- County Executive Committee Member

1.0 CHAIRPERSON FORWARD

Hon. Speaker,

On behalf of the Public Accounts and Investments Committee (PICPAC), and Pursuant to Wajir County Assembly Standing Order 188, I wish to present to this House the report of the Committee on the audited financial statements of Wajir County Bursary Fund for the financial year 2018/2019.

The County Assembly exercises oversight over County Government entities/investments and their expenditure Pursuant to Article 185(3) of the Constitution of Kenya 2010, through the Public Accounts and Investments Committee which, in turn, derives its mandate from the County Assembly Standing Orders.

It's instructive that Article 229 (8) of the Constitution of Kenya, 2010, requires the County Assembly, within three months after receiving an audit report, to debate, consider the report and take appropriate action.

The Committee held 3 sittings during which it received both written and oral evidence from the Accounting Officer on audit queries raised by the Auditor-General on the financial statements of Wajir County Bursary Fund.

Honorable Speaker, I wish to register my appreciation to fellow Honorable Members of the Committee, the Offices of the Speaker and the Clerk of the Assembly, Committee Secretariat and the Office of the Auditor General for facilitation and technical support that made the production of this report possible.

I also thank the County Executive Committee Member for honoring committee invitations and timely submission of responses.

Special appreciation goes to the Hansard department for ensuring that all our meetings with Accounting Officers are broadcasted live.

Honorable Speaker, on behalf of the Public Accounts and Investments Committee, I

now wish to table the report on the consideration of the Auditor General's report on the Financial Statements of the Wajir County Bursary Fund for the year ended 30th, June 2019 and urge this Honorable House to adopt it.

1.1 Establishment and Mandate of the Public Accounts and Investments Committee

Hon. Speaker,

The Public Accounts and Investments Committee is established under Standing Order No. 193 of the Wajir County Assembly Standing Orders and is mandated to undertake the following functions;

- i. Examination of the accounts showing the appropriations of the sum voted by the County Assembly to meet the public expenditure and of such other accounts laid before the House as the committee may think fit;
- ii. Examination of the reports, accounts working of the county Public Investments
- iii. Examination of the reports of the Auditor General on the annual accounts of the County Governments and examination of special reports, if any, of the Auditor General on the County Government Expenditure.
- iv. Oversight over management and performance of County Public Investments.

1.2 Composition of the Public Accounts and Investments Committee

Hon. Speaker Sir, The Committee as currently constituted comprises of the following Honorable Members,

- | | |
|------------------------------|--------------------|
| 1. Hon. Abdi Mohamed Abdi | -Chairperson |
| 2. Hon. Ibrahim Hussein Abdi | -Vice- Chairperson |
| 3. Hon. Adan Hussein Ali | -Member |
| 4. Hon. Abdisalan Mohamed | -Member |
| 5. Hon. Abdikarim Salat | -Member |
| 6. Hon. Shamsa Issa Jimale | -Member |
| 7. Hon. Maryan Abdullahi | -Member |

2.0 LEGAL FRAMEWORK & GUIDING PRINCIPLES

2.1 Legal Frame work

Hon. Speaker,

The Committee was guided by the following legal instruments;

1. **Constitution of Kenya 2010:** Article 229 (4) of the Constitution of Kenya, 2010 requires the Auditor General, within a period of six months after the end of each financial year, to audit and report, in respect of that financial year, on;
 - i. The accounts of the National and County governments,
 - ii. The accounts of all funds and authorities of the National and County governments,
 - iii. Accounts of all courts,
 - iv. The accounts of every commission and independent office established by this constitution,
 - v. The accounts of National Assembly, the Senate and the

county assemblies,

VI. The accounts of the political parties funded from the public funds,

vii. The public debt and

viii. The accounts of any other entity that legislation requires the Auditor General to Audit

Article 229(8) further states that *"within three months after receiving an audit report, parliament or county assembly shall debate and consider the report and take appropriate action"*.

2. **The Committee also relied on Article 226(5) of the Constitution of Kenya, 2010** which provides that if the holder of a public office, including a political office, directs or approves the use of public funds contrary to law or instructions, the person is liable for any loss arising from that use and shall make good the loss, whether the person remains the holder of the office or not.
3. **Public Audit Act 2015;** Section 7 of Public Audit Act 2015 that mandates the Auditor General to:
 - (i) Give assurance on the effectiveness of internal controls, risk management and overall governance at National and County Government;
 - (ii) Undertake audit activities in state organs and public entities to confirm whether or not public money has been applied lawfully and in an effective way.
4. **Public Finance Management Act, 2012:** 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"

2.2 Guiding Principles

Hon. Speaker,

In the execution of its mandate, the Committee was guided by core Constitutional and statutory principles on Public Finance Management.

These principles include the following;

1. **Constitutional Principles on Public Finance:** Article 201 of the Constitution of Kenya 2010 provides for fundamental principles aimed at guiding all aspects of Public Finance. It states that the principles are; inter alia;

- i). Openness and Accountability including public participation in financial matters;
- ii). Public money shall be used in a prudent and responsible way; and
- iii). Financial management shall be responsible and fiscal reporting shall be clear.

2. **Obligations of the Accounting officer;**

- i). **Article 262(2) of the Constitution of Kenya 2010** which provides that; The Accounting officer of a national public entity is accountable to the national assembly for its financial management, and the accounting officer of a county public entity is accountable to the county assembly for its financial management.
- ii). **Section 149(1) of the Public Finance Management Act 2012** provides 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; (i) Lawful and authorized and; and (ii) Effective, efficient and transparent

3. **Direct Personal Liability:** Article 226(5) of the Constitution is unequivocal that, if the holder of a Public Office or a political office, directs or approves the use of Public

Funds contrary to the law or instruction, the person is liable for any loss arising from that use and shall make good, the loss, whether the person remains the office holder or not.

4. Section 203(1) of the Public Finance Management Act, 2012 enacts that; a public officer is personally liable for any loss sustained by a County Government and is attributed to;

- (i) The fraudulent or corrupt conduct, or negligence of the officer or,
- (ii) The officer's having done any act prohibited by Sections 196, 197, and 198.

The Committee considered these legal provisions as the basis for holding accounting and public officers directly and personally liable for any loss of Public Funds that may occur under their watch.

3.0 Basis for Disclaimer of Opinion

3.1. Failure to Submit Prior Years Financial Statements

Wajir County Bursary Fund was established in the year 2014. However, Management did not submit financial statements for the financial years ended 30 June; 2015, 2016, 2017 and 2018. As a result, the opening balances in the financial statements for the financial year under review could not be confirmed.

Response

The management prepared the financial statements for the four financial years and presented for audit on 22 December 2022 to the office of the Auditor General.

Committee deliberation and Recommendation

The committee observed that the documents submitted were adequate and the concerns raised by the auditor were addressed.

3.3. Discrepancies in the Financial Statements

The financial statements for the year under review contain the following:

- i). Information about management team does not contain photographs of the team members as required by the PSASB reporting template.
- ii). The statement of financial position, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts do not have page numbers.
- iii). Referencing of note numbers on the face of the financial statements is not consistent with the notes in support of the balances in the financial statements.
- iv). No explanatory note has been provided for expenditures totaling Kshs.1,000,000 reported to have spent on scholarships and other educational benefits reflected in the statement of financial performance. As a result, the accuracy and validity of the balance could not be confirmed.

In the circumstances, the financial statements do not comply with the reporting format prescribed by the Public Sector Accounting Standards Board.

Response

It is true that there were inconsistencies in the format and presentation of the financial statements compared to the approved template. However, through capacity building the fund has ensured that financial statements are now prepared as per the approved template.

Committee deliberation and Recommendation

The Committee, having heard the oral submissions of the management and analysing the amended financial statement were satisfied with the management response thus clearing the matter.

The Committee also recommends the department to put more effort on capacity building of the staff.

The matter was therefore agreeably resolved.

3.3. Shortfall of Revenue and Under Expenditure

The statement of comparison of budget and actual amounts reflects an income budget and total expenditure budget totaling Kshs.82,000,000 and Kshs.3,445,000 resulting to an under-expenditure of Kshs.78,555,000 or 96% of the budget.

In addition, the statement further reflects total income and expenditure budgets of Kshs.82,000,000 and Kshs.3,460,000 resulting to a revenue shortfall of Kshs.78,540,000. The shortfall of revenue income and under-expenditure implied that most of the Fund's programs and activities for the year under review were not implemented.

Management Response

It is true most programs and activities were not implemented due to change of regime and new officers. However, this was subsequently implemented in the financial years 2019/2020 and 2020/2021.

The Committee Observed that the documents submitted were adequate and the concerns raised by the Auditor addressed.

Committee Recommendations

The Committee recommends that going forward the management should prepare and submit budget estimates to the County Executive Committee Member Finance for approval as required by section 149(2) of the Public Finance Management Act 2012.

3.4. Late Submission of Financial Statements

The financial statements of the Fund for the financial year under review were submitted to the Auditor-General on 16 December 2021 close to thirty (30) months after the close of the year. The delayed submission was contrary to Section 116(7) of the Public Finance Management Act, 2012 and Section 47(1) of the Public Audit Act, 2015 which require financial statements to be submitted to the Auditor-General within three months after the end of the financial year to which they relate.

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

Response

This was the first time the fund was preparing the financial statements as it was relying on the County Treasury to assist with the preparation of the financial statements. However, from the financial year 2021-2022 the management of the fund ensures that the Financial Statements are submitted on a timely basis as required by law.

Committee deliberation and Recommendation

The Committee having considered and deliberated on the audit query is satisfied that the matter has been resolved but cautions the County Government that going forward, they should strictly adhere to the provisions of Section 116 (7) of Public Finance Management Act, 2012 and the Public Audit Act 2015.

3.5. Unapproved Budget

The statement of comparison of budget and actual amounts for the year ended 30 June, 2019 reflects a budget of Kshs.82,000,000. However, review of documents provided for audit indicated that contrary to Section 149(2) of the Public Finance Management Act, 2012 the budget was not approved by the County Executive member for Finance. In the circumstances, the budget was prepared and approved by management contrary to the law.

Response

The fund prepared its budget of Kshs. 82,000,000 for the financial year 2018/2019 as per the attached letter and forwarded to the CEC Finance to be included in the County Budget.

Committee Observation

The committee observed that the documents submitted were adequate and the Concerns raised by the auditor were addressed.

Committee Recommendations

The Committee recommends that going forward the management should prepare and submit budget estimates to the County Executive Committee Member Finance for approval as required by section 149(2) of the Public Finance Management Act 2012.

3.6. Unsecured Financial Data

That Fund's cash book was maintained in MS Excel Workbook. There was no evidence of any measures taken to secure the financial data by backing it up in separate media. In the circumstances, the data was at risk of loss through damage or loss of computer where data was domiciled.

Response

It is true that financial year 2018-2019 the cashbook was in Excel sheet only given that bulkiness of the transactions. However, currently the Fund maintains both excel and manual work book.

Committee deliberation and Recommendation

The Committee, having heard the oral submissions of the management and analysing the amended financial statement were satisfied with the management response thus clearing the matter. The matter was therefore agreeably resolved.

3.7. Lack of Audit Committee

Contrary to the requirements of 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. As a result, internal control, risk management and governance were not properly established.

Response

As a result of the audit observation the County Executive has established an audit Committee.

Committee deliberation and Recommendation

The Committee noted that the management have put in place an audit Committee.

The Committee recommends that-

- I. The management should ensure the audit committee is functional as per the law; and
- II. The office of the Auditor –General should continue monitoring the status of the operationalization of the Audit Committee.

4.0 GENERAL OBSERVATIONS

Hon. Speaker,

The following general observations were made.

- That during the FY 2018/2019 the Management of Wajir County Bursary Fund had not submitted financial statements to the Auditor General as required by Public Finance Management Act, 2012, Section 116(7) and Section 47(1) of the Public Audit Act, 2015.
- That during the FY 2018/2019, the management has not complied with the format prescribed by the Public Sector Accounting Standards Board.
- That during the FY 2018/2019, the Management of Wajir County Bursary Fund had not enacted Bursary Regulation, as a result there was no guidance to ensure the operation of the Fund were carried out in compliance with the law that established the fund.
- That during the FY 2018/2019, there was no evidence of adequate measures taken to secure financial data, since the management was relying solely on MS Excel Worksheet.
- That during the FY 2018/2019, the management of Wajir County Bursary Fund has not established Audit Committee as section 155 (5) of the Public Finance Management Act, 2012.

5.0 GENERAL RECOMMENDATIONS

Hon. Speaker

The Committee recommends as follows;

- That the management must submit financial statements on time and adhere section 116(7) of the Public Finance Management Act, 2012 which states that the Administrator of County Public Fund shall prepare accounts for the fund for each financial year; and not later than three months after the end of each Financial Year.
- That going forward, the management must adhere with the format prescribed by the Public Sector Accounting Standard Board and the Financial Reporting Template.
- That going forward, the management must adhere to section 149(2) of the Public Finance Management Act.
- That the management to maintain both excel and manual work book when preparing the cash book so as to ensure security and integrity of the records in the cash book.
- That the Accounting officers in the County Government of Wajir during the time of Audit should provide all information required by the auditors pursuant to section 9 (1) of the public Audit Act,2015, that gives the Auditor unrestricted access to all required information and books.
- The County Government of Wajir should establish Audit Committee as per Section 155(5) of the Public Finance Management Act, 2012 to regulate internal control, risk management and governance.

6.0 Conclusion

Hon. Speaker,

I hereby request that this House adopts the report of the Public Accounts and Investments Committee on the consideration of the Auditor General's Report on the Financial Statements of the Wajir County Bursary Fund for the year ended 30th, June 2019.

ADOPTION OF THE REPORT

We, the undersigned members of the Public Account and Investments Committee affirm that this is the adopted and approved report of the Committee on the Financial Statements of Wajir County Bursary Fund for the Year Ended 30th June 2019.

NAME	DESIGNATION	SIGNATURE
1. Hon. Abdi Mohamed Abdi	Chairperson	
2. Hon. Ibrahim Hussein Abdi	Vice Chairperson	
3. Hon. Abdisalan Mohamed	Member	
4. Hon. Abdikarim Salat	Member	
5. Hon. Adan Hussein Ali	Member	
6. Hon. Shamsa Issa Jimale	Member	
7. Hon. Maryan Abdullahi	Member	

