

**KWALE COUNTY**



**COUNTY ASSEMBLY OF KWALE**

**SECOND ASSEMBLY – THIRD SESSION**

**REPORT**

**OF THE**

**COMMITTEE ON PUBLIC INVESTMENTS AND ACCOUNTS**

**ON THE**

***THE FINANCIAL STATEMENTS OF  
KWALE COUNTY BURSARY FUND  
FOR THE FY ENDED 30<sup>TH</sup> JUNE 2015.***

Table of Contents

**LIST OF ACRONYMS AND ABBREVIATIONS..... 4**

**PREFACE. .... 5**

**COMMITTEE MANDATE..... 5**

**ACKNOWLEDGEMENT. .... 5**

**BACKGROUND. .... 6**

**COMMITTEE MEMBERSHIP..... 6**

**COMMITTEE OBJECTIVES. .... 8**

**METHODOLOGY..... 8**

**COMMITTEE REPORT..... 8**

**1.0 LATE SUBMISSION OF FINANCIAL STATEMENTS..... 8**

**Management response..... 9**

**Committee observations..... 9**

**Committee recommendations..... 9**

**2.0 PRESENTATION OF THE FINANCIAL STATEMENTS..... 9**

**2.1 WRONG HEADING TO THE FINANCIAL STATEMENTS. .... 9**

**Management response..... 9**

**Committee observations..... 9**

**Committee recommendations..... 10**

**2.2 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS..... 10**

**Management response..... 10**

**Committee observations..... 10**

**Committee recommendations..... 10**

**3.0 ESTABLISHMENT AND OPERATIONALIZATION OF THE FUND..... 10**

**Management response..... 11**

**Committee observations..... 11**

**Committee recommendations..... 11**

**4.0 OTHER GRANTS AND OTHER PAYMENTS..... 11**

**Management response..... 12**

**Committee observations..... 12**

**Committee recommendations..... 12**

**COMMITTEE GENERAL OBSERVATIONS..... 13**

**COMMITTEE GENERAL RECOMMENDATIONS..... 13**



**LIST OF ACRONYMS AND ABBREVIATIONS.**

- |            |   |
|------------|---|
| 1. CEC     | -County Executive Committee.                      |
| 2. HON     | -Honourable.                                      |
| 3. SRC     | -Salaries and Remuneration Commission.            |
| 4. FY      | -Financial Year.                                  |
| 5. PFM ACT | -Public Finance Management ACT.                   |
| 6. BQ      | -Bills of Quantity.                               |
| 7. IPSAS   | -International Public Accounting Standards.       |
| 8. IPSASB  | -International Public Accounting Standards Board. |

## **PREFACE.**

**Mr Speaker sir**, one of the salient roles of the Public Investments and Accounts Committee is the 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 County Assembly as the Committee may think fit. It is therefore in this regard that the committee has come up with this report.

## **COMMITTEE MANDATE.**

The Committee on County Public Investments and Accounts is one of the Select Committees established pursuant to provisions of *Standing Order No. 186* tasked with the responsibilities:-

- (a) The 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 County Assembly as the Committee may think fit.
- (b) The examination of the reports, accounts and workings of the County public investments;
- (c) The examination, in the context of the autonomy and efficiency of the County public investments, whether the affairs of the county public investments, are being managed in accordance with sound financial or business principles and prudent commercial practices:

Provided that the Committee shall not examine any of the following, namely:

- (i) Matters of major County or National Government policy as distinct from business or commercial functions of the public investments;
- (ii) Matters of day-to-day administration; and,
- (iii) Matters for the consideration of which machinery is established by any special statute under which a particular county public investment is established.

## **ACKNOWLEDGEMENT.**

**Mr Speaker Sir**, I want to sincerely thank the members of the Public Investments and Accounts Committee for their dedication throughout the period of compiling of this report, the office of the Speaker, the Clerk and the Auditor General for their support and adequate facilitation.

**BACKGROUND.**

**Mr Speaker sir**, the office of the Auditor General has the mandate to audit and report on the accounts of the National and County Governments under article 229 of the Constitution of Kenya and Public Audit Act, 2015.

It is in this regard that the committee is privileged to table a report of the **Financial Statements of Kwale County Bursary Fund for the Year Ending 30<sup>th</sup> June 2015.**

**COMMITTEE MEMBERSHIP.**

The County Assembly Select Committee on Public Investments and Accounts was constituted in October, 2017 comprising of the following Members:-

- |                                |                 |
|--------------------------------|-----------------|
| 1. Hon. Patrick Mangale Nyawa  | - Chairman      |
| 2. Hon. Melda Nyakiti          | - V/Chairperson |
| 3. Hon. Raia Mkungu            | - Member        |
| 4. Hon. Mweruphe Jackson Ngoro | - Member        |
| 5. Hon. Alfred Ruwa Bavu       | - Member        |

**Mr Speaker sir**, it is in this regard that I present before this honourable house the report on the **Financial Statements of Kwale County Bursary Fund for the Year Ended 30<sup>th</sup> June 2015.**

**Hon Patrick Mangale Nyawa**

**Chairman, Public Investments and Accounts Committee.**

**Signature .....** **Date .....**

**Hon Melda James Nyakiti**

**Vice chairperson, Public Investments and Accounts Committee**

**Signature .....** **.Date .....**

**Hon Raia Mkungu**

**Member.**

**Signature .....** **Date .....**

**Hon Ngoro Mweruphe**

**Member.**

**Signature .....** **Date .....**

**Hon Alfred Ruwa Bavu**

**Member.**

**Signature.....Date.....**

## **COMMITTEE OBJECTIVES.**

**Mr Speaker sir**, the Committee's main objective in this report is;

The 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 County Assembly as the Committee may think fit.

## **METHODOLOGY.**

**Mr Speaker sir**, in compilation of this report the committee used the following methods to gather information:

1. Interviewing the management of the Department of Education.
2. Review of applicable legislations and regulations.
3. Examination of vouchers, cash books, vote books, bank statements, contract documents, and other related records.
4. Review of minutes of meetings especially where there are resolutions affecting management of cash.
5. Physical inspection/verification of documents.

## **COMMITTEE REPORT.**

The Committee scrutinized the Auditor General report on the Financial Statement of Kwale County Bursary Fund for FY ending 30th June 2015, which had raised various queries. The Committee met with the management of the Department of Education on 21<sup>st</sup> November, 2018 at the Assembly Administration Block who then responded to the queries raised by the Auditor General.

### **BASIS FOR ADVERSE OPINION.**

#### **1.0 LATE SUBMISSION OF FINANCIAL STATEMENTS.**

The financial statements for the year ended 30<sup>th</sup> June 2015 were submitted to the Auditor General on 1<sup>st</sup> November, 2016, over one year after the statutory deadline date of 30<sup>th</sup> September 2015. This is contrary to the provisions of Section 47(1) of the Public Audit Act, 2015 which requires the management to submit the financial statements to the Auditor General within three months after the end of the financial year to which the respective accounts relate.

Consequently, the management is in breach of the law.



**Management response.**

In the financial Year 2014/2015 there were no instructions to prepare separate fund accounts. The Bursary Fund was included in the County Executive consolidated financial statements thus the 2014/2015 audit included the Bursary Fund. The instructions to prepare separate financial statements for the Bursary Fund were given in the financial year 2015/2016. That was when the Bursary Fund financial statements for 2014/2015 and 2015/2016 were prepared and submitted to the office of the Auditor General together with the consolidated Executive financial statements on 1<sup>st</sup> November 2016.

**Committee observations.**

Mr. Speaker Sir the Committee observed the following;

That the management submitted the financial statements late to the Office of the Auditor General contrary to Section 47(1) of the Public Audit Act, 2015.

**Committee recommendations.**

Mr. Speaker sir the committee recommends as follows;

That the management shall strictly adhere to the Public Audit Act, 2015 and its guidelines on submission of financial statements.

## **2.0 PRESENTATION OF THE FINANCIAL STATEMENTS.**

The financial statements presented for audit for the year ended 30<sup>th</sup> June 2015 had the following anomalies;

### **2.1 WRONG HEADING TO THE FINANCIAL STATEMENTS.**

The financial statements Headers read “County Government of Kwale” instead of “Kwale County Bursary Fund”. This is contrary to paragraph 63b of International Public Sector Accounting Standards (IPSAS1) which states “ Each component of the financial statements shall be identified clearly. In addition, the following information shall be displayed prominently and repeated when it is necessary for a proper understanding of the information presented. In this case the name of the reporting entity is not County Government of Kwale but Kwale County Bursary Fund. In this regard, the heading of the financial statement is misleading to the readers of these financial statements.

**Management response.**

The heading presented in the financial statements was viewed to be sufficient since it captured the County Government of Kwale and the Bursary Fund. The advice given by the office of the Auditor General is noted and the necessary changes will be made.

**Committee observations.**

Mr. Speaker Sir the Committee observed the following;

That the management failed to adhere to the International Public Sector Accounting Standards No 1 on presentation of financial statements.

**Committee recommendations.**

Mr. Speaker Sir the Committee recommends as follows;

That the management shall in future strictly adhere to the International Public Sector Accounting Standards No 1 on presentation of financial statements.

**2.2 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.**

The statement of comparison of budget and actual amounts is missing in these financial statements contrary to the requirement of IPSAS1, paragraph 21(e) which states that “one of the components of financial statement is a comparison of budget and actual amounts. In this regard, it is not possible to confirm if the entity executed the budget in line with Public Financial Management Act 2012.

Consequently the financial statements for the year ended 30<sup>th</sup> June 2015 did not comply with the International Public Sector Accounting Standards 1 as prescribed by the Public Sector Accounting Standards Board.

**Management response.**

The financial statements were presented in accordance with the International Public Sector Accounting Standards 1(IPSAS 1) with particular emphasis under the Cash Basis of Accounting. The Cash basis Accounting template provides for statements of Appropriation which is used for comparisons of budgets and actual expenditure. The same was provided to the auditors in the bursary fund financial statements.

**Committee observations.**

Mr. Speaker Sir the Committee observed the following;

That the management failed to adhere to the International Public Sector Accounting Standards No 1 on presentation of financial statements.

**Committee recommendations.**

Mr. Speaker Sir the Committee recommends as follows;

That the management shall in future strictly adhere to the International Public Sector Accounting Standards No 1 on presentation of financial statements.

**3.0 ESTABLISHMENT AND OPERATIONALIZATION OF THE FUND.**

The Bursary Fund was established and commenced operation during the financial year 2014/2015. However, there is no evidence of approval of the County Executive Committee and the County Assembly for the establishment of the fund as required by Section 116(1) of the Public Finance Management Act, 2012 which states that establishment of funds requires approval of the County Executive Committee and County Assembly.

Further, the Bursary Fund Act commenced on 5<sup>th</sup> September 2014 but the County Bursary Committee was not established as required by Section 7(1) of the Kwale County Bursary Fund Act, 2014, thus the Fund has been running without the functions of the committee.

Consequently, the management was in breach of the Law.

**Management response.**

The Bursary Fund was established through the enactment of the Kwale County Bursary Fund Act 2014 which guides the operations of the Bursary Fund. The Kwale County Bursary Fund was a Private Member Bill which did not originate from the Executive hence the same was not approved by the County Executive committee as required by Section 116(1) of the PFM Act, 2012.

The County Bursary Committee members have since been nominated and names submitted to the County Assembly for approval.

**Committee observations.**

Mr. Speaker Sir the Committee observed the following;

- i. That the management established and operationalized the Bursary Fund without the approval of the County Executive Committee contrary to Section 116(1) of the Public Finance Management Act, 2012.
- ii. That the management failed to establish the County Bursary Committee as required by Section 7(1) of the Kwale County Bursary Fund Act, 2014.

**Committee recommendations.**

Mr. Speaker Sir the Committee recommends as follows;

- i. That the CEC Finance shall strictly adhere to Section 116(1) of the Public Finance Management Act, 2012 on establishment and operationalization of the funds within the County Government of Kwale.
- ii. The management shall strictly adhere to Section 7(1) of Kwale County Bursary Fund, Act, 2014.

#### **4.0 OTHER GRANTS AND OTHER PAYMENTS.**

Note 16 to the financial statements for the year ended 30<sup>th</sup> June 2015 reflects Kshs.279,750,675 in respect of other grants and other payments. Documents availed for audit indicated that the fund sponsored 68 students to study in India at a cost of Kshs.25,739,536.54 during the year ended 30<sup>th</sup> June, 2015. The management failed to provide guidelines on determination of cost per student and policy documents for students sponsored abroad.

In the absence of such guidelines, it has not been possible to confirm the propriety of the Kshs.25,739,536 for the students sponsored to study in India.

**Management response.**

We concur with the Auditor General that the County Government of Kwale sponsored 68 students to study in India for various degree programs. Bursary funds being Kshs. 25,742,730.75 were spent in line with the Kwale County Appropriation Act, 2014 and the Kwale County Bursary Fund Act, 2014. The breakdown is in the financial statements and other disclosures.

The department felt that the Kwale County Bursary Fund Act was sufficient to use but it has also prepared regulations which were forwarded to the office of the County Secretary waiting for consideration by the County Executive Committee and be submitted to the County Assembly for approval.

**Committee observations.**

Mr. Speaker Sir the Committee observed the following;

- i. The management failed to provide before the auditors guidelines on determination of cost per student for 68 students sponsored to study in India during the time of audit but was availed to the Committee for scrutiny and verification.
- ii. That the management confirmed before the committee that it spent Kshs.25,742,730.75 instead of Kshs.25,739,536 as indicated by the auditors.
- iii. That the management sponsored 68 students at a cost of Kshs.25,742,730.75 to study in India without any policy documents approved by the County Assembly.

**Committee recommendations.**

Mr. Speaker Sir the Committee recommends as follows;

- i. That the management shall within 60 days after the adoption of this report come up with policy documents/ regulations on sponsoring students abroad.
- ii. That the management shall avail all necessary documents and information needed during the time of audit as required by the Public Audit Act, 2015 so as to avoid unnecessary queries.

**COMMITTEE GENERAL OBSERVATIONS.**

**Mr. Speaker Sir**, the Committee made the following general observations;

- i. That the management failed to avail necessary documents and information to the auditors during the time of audit contrary to Section 47(1) of the Public Audit Act, 2015.
- ii. That the management established and operationalized the Kwale County Bursary Fund irregularly.

**COMMITTEE GENERAL RECOMMENDATIONS.**

**Mr. Speaker Sir**, the Committee made the following general recommendations;

- i. That the management shall strictly ensure compliance to the Public Finance Management Act, 2012 and the Kwale County Bursary Fund Act, 2014.
- ii. That the management shall avail all necessary documents and information promptly to the auditors during the time of audit as required by the Public Audit Act, 2015 so as to avoid unnecessary queries.

**Mr Speaker sir**, I again wish to thank the members of the Assembly, the office of the Speaker, the office of the Clerk and the office of the Auditor General for their continued support during the period of compiling this report.

**Mr Speaker sir**, I now urge this Honourable House to adopt this report.

Thank you.

**SIGNATURE .....** **DATE.....**

**HON PATRICK MANGALE**

**CHAIRMAN, PUBLIC INVESTMENTS AND ACCOUNTS COMMITTEE.**