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REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

BOMET COUNTY ASSEMBLY
RECEIVED
06 MAY 2022
P. O. BOX 590 - 20400
BOMET

File Ref: SNY/NYA CAS/2020/2021/ (15)

4 May, 2022

Mr. Isaack Kitur,
Administrator of the Fund,
Bomet County Assembly Car and Mortgage Loan Scheme Fund,
Bomet County Assembly Chambers,
P.O. Box 590 – 20400,
BOMET

DDF
10/5/22

Dear Mr. Kitur,

DRAFT AUDIT REPORT OF THE AUDITOR-GENERAL ON BOMET COUNTY ASSEMBLY CAR LOAN AND MORTGAGE LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2021

Your response dated 14 October, 2021 to our Audit Management Letter Ref. SNY/BOMET CAS CLMF/2020/2021/(2) dated 2 November, 2021 on Bomet County Assembly Car Loan and Mortgage Loan Scheme Fund for the year ended 30 June, 2021 refers.

The additional information and evidence provided in the response have been examined and issues that have not been satisfactorily explained and (or) supported are now included in the Draft Audit Report attached.

Kindly submit your written response to this Draft Audit Report within **seven days (7)** from the date of this letter for further examination. If no comments are received by **11 May, 2022,** it will be assumed that you agree with the facts as stated and the Report will be processed as it is for issue.

Note: In case the financial statements are amended again, eight (8) original fully signed copies of the amended financial statements should accompany the response.

Yours sincerely,

Roand.

William O. Agunda
For: AUDITOR-GENERAL

DRAFT AUDIT REPORT

REPORT OF THE AUDITOR-GENERAL ON BOMET COUNTY ASSEMBLY CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use Of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure government achieves value for money and that such funds are applied for intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Bomet County Assembly Car Loan and Mortgage Scheme Fund set out on pages 20 to 66, which comprise the statement of financial position as at 30 June 2021 and 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 a summary of significant accounting policies 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 have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Bomet County Assembly Car Loan and Mortgage Scheme Fund as at 30 June 2021, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis)] and comply with the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Bomet County Assembly Car Loan and Mortgage Scheme 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Car Loan and Mortgage- Uncharged Security

Examination of the loan's advancement records maintained by the Fund revealed that an amount of Kshs.223,793,304 in respect car loans and mortgage to thirty seven (37) MCAs and twenty eight (28) staff as at 30 June 2021. However, ownership documents such as titles deeds were not charged in favour of the Fund contrary to Regulation 16(1) of the Public

Finance Management (Bomet County Assembly Car Loan and Mortgage Fund) Regulations, 2021. Further, examination of the motor vehicle log books held at the County Assembly revealed that vehicles bought through the car loans were not jointly registered as is required by the regulation.

Consequently, management was breach of law and recoverability of the loans advanced to the members and staff in case of default could be a challenge.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 governance.

In preparing the financial statements, management is responsible for assessing the Bomet County Assembly Car Loan and Mortgage Scheme Fund's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the 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 Program 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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed 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.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems 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. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bomet County Assembly Car Loan and Mortgage Scheme Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Program to cease sustaining its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Bomet County Assembly Car Loan and Mortgage Scheme Fund to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide the Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

Date..

BOMET COUNTY ASSEMBLY
RECEIVED
06 SEP 2021
P. O. Box 590-20400
BOMET

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REPUBLIC OF KENYA

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OAG
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P.O. Box 30084-00100
NAIROBI

Letter of Understanding

File Ref: SNY/BMT CAS/2020/2021/(1) **24 August 2021**

The Clerk
Bomet County Assembly
P O Box 590 - 20400
BOMET

PRO
07/09/21

Dear Sir / Madam

AUDIT OF THE BOMET COUNTY ASSEMBLY PERFORMED BY THE AUDITOR-GENERAL FOR THE YEAR ENDED 30 JUNE 2021

The financial statements of the Bomet County Assembly for the year ended 30 June 2021 are subject to audit by the Auditor-General in accordance with the provisions of Article 229(4) of the Constitution and Section 35 of the Public Audit Act, 2015. Further, Article 229(6) requires the Auditor-General to perform a compliance audit to confirm whether public money has been applied lawfully and in an effective way. In addition, Section 7(1(a)) of the Public Audit Act, 2015 requires the Auditor-General to give an assurance on the effectiveness of internal controls, risk management and overall governance in Bomet County Assembly.

The purpose of this letter is to outline:

- The terms of the audit assignment, the scope, the nature and limitations of the annual audit; and
- The respective responsibilities of the Auditor-General and the management of the Bomet County Assembly in the annual audit.

The term(s) of the audit assignment are set out below.

Objective(s) of the audit

The objective(s) of the annual audit are:

- To express an independent opinion on the financial statements prepared in accordance with International Public Sector Accounting Standards and Public Finance Management Act, 2012. These financial statements comprise the, statement of assets and liabilities as at 30th June 2021, statement of receipts and payments, statement of cash flows , summary statement of appropriation: recurrent and development combined, summary statement of appropriation: recurrent, summary statement of appropriation: development, budget execution by programmes and sub-programmes for the year then ended, and a summary of significant accounting policies and other explanatory information.
- To conclude on whether Bomet County Assembly complied with laws and regulations in respect to the following subject matter(s):

a) Compliance with the Public Sector Accounting Standards Board (PSASB) reporting requirements
b) Adherence to Public Finance Management (PFM) fiscal responsibility principles
c) Compliance with framework for the approved establishment and compliment controls (Human Resource Management)
d) Compliance with and effectiveness of Citizen participation in County Government planning and budgeting
e) Compliance with deduction and remittance of statutory dues
f) Implementation of the recommendations of oversight bodies Senate, CPAIC, OAG.
g) Compliances with necessary approvals for the establishment of subsidiaries by County Governments
h) Identification, collection and accounting for Own Generated Revenue
i) Affirmative action on Gender, ethnicity and regional distribution
j) Authenticity of legal fees
k) Regularity of payments made to the County Assembly Forum, the County Public Service Boards Consultative Forum and the Council of County Governors

- To conclude on the effectiveness of internal controls, risk management and overall governance in Bomet County Assembly.

Responsibilities of the Auditor-General

My audit will be conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require that I comply with ethical requirements, plan and perform the audit to obtain reasonable assurance:

- about whether the financial statements are free from material misstatements.
- whether the activities, financial information or transactions of Bomet County Assembly *are* in accordance with the applicable authorities.
- That the internal control, governance and risk management systems of Bomet County Assembly *have* been operating effectively throughout the period under review.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement, instances of non-compliance and weaknesses in internal control, governance and risk management when they exist. Misstatements, instances of non-compliance and weaknesses in internal control, governance and risk management can arise from fraud or error. The risk of not detecting a material misstatement, instances of non-compliance or weaknesses internal control, governance and risk management resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

In making my risk assessments, I consider internal control relevant to the entity's preparation and fair presentation of the financial statements, compliance with laws and regulations, governance and risk management in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the entity's internal control. Any material deficiencies identified will be communicated to you in writing and will be included in a separate section of my audit report.

I shall also review financial transactions, financial information and activities of Bomet County Assembly for compliance with the following laws and regulations:

a) Compliance with the Public Sector Accounting Standards Board (PSASB) reporting requirements
   Criteria
   1. The Public Finance Management Act, 2012
   2. Circular AG.4/16/3 Vol. 1(9) of 24 June, 2020 and the revised templates
b) Adherence to Public Finance Management (PFM) fiscal responsibility principles
   Criteria
   1. Constitution of Kenya

2. Public Finance Management Act, 2012 (Section 15 and 107)
3. Public Finance Management (National Government) Regulations 2015 (Regulation 25)
4. Public Procurement and Asset Disposal Act 2015
5. Public Procurement and Asset Disposal Regulations
6. Treasury Circular No.14 of 2013 dated 25th September 2013

c) Compliance with framework for the approved establishment and compliment controls (Human Resource Management)

Criteria

1. The County Government Act, 2012
2. Code of Regulations
3. Entity Human Resource Policy
4. Approved establishment

d) Compliance with and effectiveness of Citizen participation in County Government planning and budgeting

Criteria

1. The Constitution of Kenya
2. Public Finance Management Act 2012
3. Public Finance Management Regulations 2015 for both National and County Government
4. County Public Participation Guidelines 2016
5. County Government Act 2012

e) Compliance with deduction and remittance of statutory dues

Criteria

Income Tax Act
NHIF Act, 2012
NSSF Act, 2013
Retirement Benefits Act, 2012
VAT Act.

f) Implementation of the recommendations of oversight bodies Senate, CPAIC, OAG.

Criteria

1. The Public Sector Accounting Standards Board Requirements (Circular AG.4/16/3 Vol. 1(9) of 24 June, 2020 and the revised templates)
2. Public Audit Act 2015

g) Affirmative action on Gender, ethnicity and regional distribution

Criteria

1. Constitution of Kenya
2. National Cohesion and Integration Act, 2008

h) Authenticity of legal fees

Criteria

1. Public Finance Management Act, 2012
2. Public Finance Management (County Governments) Regulations, 2015
3. Public Procurement and Assets Disposal Act, 2015
4. Public Procurement and Assets Disposal Regulations, 2020
5. Attorney General Act, 2013

i) Regularity of payments made to the County Assembly Forum, the County Public Service Boards Consultative Forum.

Criteria

1. Constitution of Kenya
2. County Government Act 2012
3. The Intergovernmental Relations Act, 2012

The review of compliance will also include reviewing whether public money was applied in an economical manner, without public money being wasted and that the financial transactions or activities were undertaken in an effective and efficient way. I will also report on any instances of abuse identified during the course of the audit.

The compliance audit will be integrated with my other audit procedures. The results of this work will be included in a separate section of my audit report.

Responsibilities of management and those charged with governance

My audit will be conducted on the basis that management has responsibility:

- To prepare and fairly present financial statements in accordance with International Public Sector Accounting Standards (Cash basis) and in the manner required by the Public Sector Accounting Standards Board.
- To submit the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.
- To establish and maintain an effective system of internal control necessary to:
  - Enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error; and
  - Provide reasonable assurance that adopted policies and prescribed procedures are adhered to and errors and irregularities, including fraud and illegal acts are prevented or detected.
  - Ensure proper recording and safeguarding of the entity's assets and resources
- To develop
  - Risk management strategies, which include fraud prevention mechanism; and
  - A system of risk management and internal control that builds robust business operations.
- To ensure resources of the entity are used in a way that is effective, efficient, economical and transparent.
- To ensure compliance with laws and regulations that govern the entity.
- To provide me with unrestricted access to:
  - All information which is relevant to the preparation of the financial statements such as records, books, returns, documentation and other matters electronic or otherwise;
  - Any information on any fraud, losses, or any violation of laws and regulations including explanations for the actions taken to prevent a similar problem in future;

- Any additional information that we may request from management for the purpose of the audit;
- Any property or premises used or held by the entity;
- Persons within the entity from whom we determine it is necessary to obtain audit evidence; and
- All internal audit reports which have been deliberated and adopted by the audit committee

Those charged with governance are responsible for overseeing the entity's financial reporting process, governance mechanisms, and risk management system and strategies. They are also responsible for ensuring that the entity designs, implements, and maintains an appropriate internal control system with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable legislation and other authorities.

Other Information accompanying financial statements

Management may wish to publish the financial statements including, my audit report and other information in other documents, such as in an annual report. However, management remains responsible for the other information that accompanies the financial statements.

My opinion on the financial statements will not cover the other information and I will not express any form of assurance conclusion thereon unless laws and regulations require me to do so. My responsibility is to read though the other information accompanying the financial statements that was obtained prior to the date of my audit report and consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I will have performed on the other information that I will obtain prior to the date of my audit report, I conclude there is a material misstatement of this other information, I will report this fact.

Communication with management and those charged with governance

During the course of the audit, I will be in continual communication with management and those charged in governance. Section 31(1)(b) of the Public Audit Act, 2015 requires me and the accounting officer to hold an inception meeting at the beginning of the audit to deliberate on the scope of the audit. At the end of the audit, I am also required by the Act to hold an exit meeting with the accounting officer to discuss my audit findings and recommendations. These meetings are, therefore, mandatory to both parties and I have included the target dates in this letter.

I will regularly inform the management about material findings obtained in the course of the audit so that they can take relevant measures. Our communication may be verbal or in writing.

As part of my audit process, I will request from management and, where appropriate, those charged with governance, written confirmation concerning representations made to me in connection with the audit.

The key deliverables and target dates that should be met by both parties are in Appendix 1.

Independence

ISSAI 130 on Code of Ethics requires me to maintain independence from Bomet County Assembly and communicate with you regarding all relationships between the Bomet County Assembly and me that, in my professional judgment, may reasonably be thought to bear on my independence. To provide further assurance, my quality management system requires me to ensure safeguards are applied to eliminate identified threats to independence, or reduce them to an acceptable level to ensure that I complied with relevant ethical requirements regarding independence.

At this time, I am not aware of any relationships between Bomet County Assembly and me and/or any of my audit staff that, in my professional judgment, may reasonably be thought to bear on my independence.

Documents

To assist me in the audit, I request the documents or statements in Appendix 2.

Agreement to terms

This letter will remain effective until it is replaced. I shall be grateful if you could confirm your agreement to the terms of this letter by signing and returning the enclosed copy, or let me know if the terms of my assignment are not in accordance with your understanding.

I look forward to full cooperation from your staff during my audit.

Yours faithfully

Wilson Maiyo

Deputy Director - Auditor in Charge (South Nyanza Region Office)

***For:* AUDITOR-GENERAL**

Acknowledgement of terms of the audit assignment
The terms of this audit assignment are acknowledged and agreed by .... on behalf of the Bomet County Assembly. .... Signed ISAAC KUTUR– CLERK .... Name and position Date

Appendix 1: Key Deliverables and Dates

	Activity	Responsibility	Target date
Continuous Audit			
1.	Opening meeting between the audit team and the management of the audited entity to discuss the overall audit strategy for continuous audit.	Audit team and management of Bomet County Assembly at relevant levels	*13/9/2021*
2.	Request for information and records from management.	Principal Auditor	*13/9/2021*
3.	Submit information and records requested for audit.	Management of Bomet County Assembly	*13/9/2021-14/9/2021*
4.	Perform the continuous audit	Audit team	*13/9/2021-17/9/2021*
5.	Issue audit queries to audited entity	Team leader	*13/9/2021-17/9/2021*
6.	Submit written response to audit queries to audit team.	Chief Officers	*14/9/2021-17/9/2021*
7.	Exit Meeting between the audit team and the management of the audited entity to discuss unresolved issues raised in the audit queries	Audit team and management of Bomet County Assembly at relevant levels	*8/10/2021*
8.	Issue management letter	Principal Auditor	*11/10/2021*
Final Audit			
9.	Submit financial statements and supporting files (Trial balance, lead schedules, and ledger) to auditors.	management of Bomet County Assembly	*30 September 2021*
10.	Opening meeting between the audit team and the management of the audited entity to discuss the overall audit strategy.	Audit team and management of Bomet County Assembly at relevant levels	13/9/2021
11.	Request for additional information from audited entity.	Principal Auditor	4/10/2021
12.	Submit additional information requested for audit.	management of Bomet County Assembly	4/10/2021
13.	Issue audit queries to audited entity.	Manager	4/10/2021-6/10/2021
14.	Submit written response to audit queries to audit team.	Chief Officers	4/10/2021-6/10/2021

	Activity	Responsibility	Target date
15.	Exit Meeting between the audit team and the management of the audited entity to discuss unresolved issues raised in the audit queries	Audit team and management of Bomet County Assembly – at relevant levels	7/10/21
16.	Issue management letter.	Director- Audit	11/10/2021
17.	Submit written response to management letter to OAG	The clerk	25/10/2021
18.	Issue draft audit report	Director-audit	1/11/2021
19.	Issue management representation letter and response to draft report.	The clerk	6/11/2021
20.	Issue audit opinion to audited entity.	Auditor-General	17/12/2021

Appendix 2: List of Documents

PART A

1. List of Pending Court Cases
2. External audit reports covering FY 2020/2021 by the OAG or other audit firms
3. Audit Committee Minutes
4. Internal Audit reports FOR 2020/2021
5. Organizational Chart
6. Management Committee Members' CVs
7. Management Committee Minutes
8. Internal Audit Charter
9. Annual Internal Audit Plan for FY 20/21
10. Internal Audit Staff CVs
11. Management/ Departmental Minutes
12. Strategic Plan
13. Fraud Policy
14. Risk Management Policy
15. Fraud Investigation Reports
16. Code of Conduct
17. Human Resource Manual
18. Disaster Recovery Plan for Internal Controls
19. Financial Regulations and Procedures manual
20. List of IT Strategic Committee
21. IT Strategic Plan
22. List of IT Steering Committee
23. IT Training Programs

24. Terms of Reference of every IT Committee
25. IT security Policy
26. Procedures for IT Program Changes
27. Disaster Recovery Plan for IT Controls
28. IT Service Level Agreement
29. Service Level Agreements for all outsourced Services

PART B

IFMIS PROCURE TO PAY REPORTS

1. Requisition Reports

- ✓ Purchase Requisition Status Report
- ✓ Requisition Activity Register
- ✓ Cancelled Requisition Report

2. Purchasing Reports

- ✓ Purchasing Activity Register
- ✓ Open Purchase Orders Report (by Buyer)
- ✓ Cancelled Purchase Orders Report
- ✓ Buyer's Requisition Action Required Report
- ✓ Overdue Vendor Shipments Report

3. Receiving Reports

- ✓ Expected Receipts Report
- ✓ Receipt Adjustments Report
- ✓ Receiving Exceptions Report
- ✓ Receiving Transactions Register

4. Invoice Related Reports

- ✓ Invoice on Hold Report
- ✓ Invoice Register
- ✓ Invoice Aging Report
- ✓ Invoice

5. Payment related Reports

- ✓ Cash Requirement Report
- ✓ Stop Payments Report
- ✓ Void Payment Register
- ✓ Payment Register
- ✓ Payment Exceptions Report

PART C

1. The general ledger.
2. Vote book.
3. Schedules in support of the financial statements figures and balances.
4. Bank statements and bank reconciliation statements for all the central bank and commercial banks accounts.
5. Cash books for all the bank accounts in (4) above.
6. Certificates of bank balances confirmations.
7. Copies of Procurement reports submitted to the PPRA (including tender award reports, preferences and reservations reports, direct procurement reports, e.t.c)
8. All correspondences/ submission minutes/ submission letters/ forwarding letters for 2020/2021 budget process.
9. 2020/2021 funds requisitions approved by the COB.
10. Fixed assets register.
11. Duly approved procurement plans.
12. Duly approved programme based budgets.
13. Tender documents (on need basis)
14. Payment vouchers (on need basis)
15. Pre-qualified suppliers list.
16. Deposits ledger (for retentions and other deposits)
17. Undone budgeted projects as at 30th June 2021.
18. 2020/2019 final budget
19. 2019/2020 final budget
20. 2020/2021 final budget.
21. Financing agreements (for donors and any other)
22. Lease agreements.
23. Payrolls. (JUNE 2020 TO JUNE 2021)
24. Employees master roll.
25. Staff deployment list.

26. Access to audit trail module in IFMIS.
27. Insurance policy documents.
28. Medical insurance scheme.
29. A list of all anti-virus certificates.

(45)

REPUBLIC OF KENYA

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OAG
OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

Letter of Understanding

File Ref: SNY/BMT CLMF/2020/2021/(1)

25 August 2021

The Administrator
Bomet County Assembly Car Loan and Mortgage Scheme Fund
P O Box 590 - 20400
BOMET

BOMET COUNTY ASSEMBLY
RECEIVED
06 SEP 2021
P. O. Box 590-20400
BOMET

PFO
07/09/21

Dear Sir / Madam

AUDIT OF THE BOMET COUNTY ASSEMBLY CAR LOAN AND MORTGAGE SCHEME FUND PERFORMED BY THE AUDITOR-GENERAL FOR THE YEAR ENDED 30 JUNE 2021

The financial statements of Bomet County Assembly Car Loan and Mortgage Scheme Fund for the year ended 30 June 2021 are subject to audit by the Auditor-General in accordance with the provisions of Article 229(4) of the Constitution and Section 35 of the Public Audit Act, 2015. Further, Article 229(6) requires the Auditor-General to perform a compliance audit to confirm whether public money has been applied lawfully and in an effective way. In addition, Section 7(1(a)) of the Public Audit Act, 2015 requires the Auditor-General to give an assurance on the effectiveness of internal controls, risk management and overall governance in Bomet County Assembly Car Loan and Mortgage Scheme Fund.

The purpose of this letter is to outline:

- The terms of the audit assignment, the scope, the nature and limitations of the annual audit; and
- The respective responsibilities of the Auditor-General and the management of the Bomet County Assembly Car Loan and Mortgage Scheme Fund in the annual audit.

The term(s) of the audit assignment are set out below.

Objective(s) of the audit

The objective(s) of the annual audit are:

- To express an independent opinion on the financial statements prepared in accordance with International Public Sector Accounting Standards (accrual basis) and Public Finance Management Act, 2012. These financial statements comprise the, statement financial position as at 30th June 2021, statement of financial performance, statement of changes in net assets, statement of cash flows, statement of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information.
- To conclude on whether Bomet County Assembly Car Loan and Mortgage Scheme Fund complied with laws and regulations in respect to the following subject matter(s):
  a) Compliance with the Public Sector Accounting Standards Board (PSASB) reporting requirements
  b) Adherence to Public Finance Management (PFM) fiscal responsibility principles
  c) Compliance with framework for the approved establishment and compliment controls (Human Resource Management)
  d) Compliance with and effectiveness of Citizen participation in planning and budgeting
  e) Compliance with deduction and remittance of statutory dues
  f) Implementation of the recommendations of oversight bodies Senate, CPAIC, OAG.
  g) Affirmative action on Gender, ethnicity and regional distribution
  h) Authenticity of legal fees
  i) Loan/mortgage Management

- To conclude on the effectiveness of internal controls, risk management and overall governance in Bomet County Assembly Car Loan and Mortgage Scheme Fund .

Responsibilities of the Auditor-General

My audit will be conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require that I comply with ethical requirements, plan and perform the audit to obtain reasonable assurance:

- about whether the financial statements are free from material misstatements.
- whether the activities, financial information or transactions of Bomet County Assembly Car Loan and Mortgage Scheme Fund are in accordance with the applicable authorities.
- That the internal control, governance and risk management systems of Bomet County Assembly Car Loan and Mortgage Scheme Fund have been operating effectively throughout the period under review.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement, instances of non-compliance and weaknesses in internal control, governance and risk management when they exist. Misstatements, instances of non-compliance and weaknesses in internal control, governance and risk management can arise from fraud or error. The risk of not detecting a material misstatement, instances of non-compliance or weaknesses internal control, governance and risk management resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

In making my risk assessments, I consider internal control relevant to the entity's preparation and fair presentation of the financial statements, compliance with laws and regulations, governance and risk management in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the entity's internal control. Any material deficiencies identified will be communicated to you in writing and will be included in a separate section of my audit report.

I shall also review financial transactions, financial information and activities of Bomet County Assembly Car Loan and Mortgage Scheme Fund for compliance with the following laws and regulations:

a) Compliance with the Public Sector Accounting Standards Board (PSASB) reporting requirements

   Criteria
   - The Public Finance Management Act, 2012
   - Circular AG.4/16/3 Vol. 1(9) of 24 June, 2020 and the revised templates

b) Compliance with framework for the approved establishment and compliment controls (Human Resource Management)

   Criteria
   - Code of Regulations
   - Entity Human Resource Policy
   - Approved establishment

c) Compliance with and effectiveness of Citizen participation in planning and budgeting

Criteria

- The Constitution of Kenya
- Public Finance Management Act 2012
- Public Finance Management Regulations 2015 for both County Government

d) Implementation of the recommendations of oversight bodies Senate, CPAIC, OAG.

Criteria

- The Public Sector Accounting Standards Board Requirements (Circular AG.4/16/3 Vol. 1(9) of 24 June, 2020 and the revised templates)
- Public Audit Act 2015

e) Affirmative action on Gender, ethnicity and regional distribution

Criteria

- Constitution of Kenya

f) Authenticity of legal fees

Criteria

- Constitution of Kenya
- Public Finance Management Act, 2012
- Public Finance Management (Countyl Governments) Regulations, 2015
- Public Procurement and Assets Disposal Act, 2015
- Public Procurement and Assets Disposal Regulations, 2020
- Attorney Generals Act, 2013

g) Car loan and morgage management

Criteria

1. County Assembly Car Loan and Mortgage Regulations

The review of compliance will also include reviewing whether public money was applied in an economical manner, without public money being wasted and that the financial transactions or activities were undertaken in an effective and efficient way. I will also report on any instances of abuse identified during the course of the audit.

The compliance audit will be integrated with my other audit procedures. The results of this work will be included in a separate section of my audit report.

Responsibilities of management and those charged with governance

My audit will be conducted on the basis that management has responsibility:

- To prepare and fairly present financial statements in accordance with International Public Sector Accounting Standards (accrual basis) and in the manner required by the Public Sector Accounting Standards Board.
- To submit the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.
- To establish and maintain an effective system of internal control necessary to:
    - Enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error; and

- Provide reasonable assurance that adopted policies and prescribed procedures are adhered to and errors and irregularities, including fraud and illegal acts are prevented or detected.
- Ensure proper recording and safeguarding of the entity's assets and resources

- To develop
  - Risk management strategies, which include fraud prevention mechanism; and
  - A system of risk management and internal control that builds robust business operations.
- To ensure resources of the entity are used in a way that is effective, efficient, economical and transparent.
- To ensure compliance with laws and regulations that govern the entity.
- To provide me with unrestricted access to:
  - All information which is relevant to the preparation of the financial statements such as records, books, returns, documentation and other matters electronic or otherwise;
  - Any information on any fraud, losses, or any violation of laws and regulations including explanations for the actions taken to prevent a similar problem in future;
  - Any additional information that we may request from management for the purpose of the audit;
  - Any property or premises used or held by the entity;
  - Persons within the entity from whom we determine it is necessary to obtain audit evidence; and
  - All internal audit reports which have been deliberated and adopted by the audit committee

Those charged with governance are responsible for overseeing the entity's financial reporting process, governance mechanisms, and risk management system and strategies. They are also responsible for ensuring that the entity designs, implements, and maintains an appropriate internal control system with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable legislation and other authorities.

Other Information accompanying financial statements

Management may wish to publish the financial statements including, my audit report and other information in other documents, such as in an annual report. However, management remains responsible for the other information that accompanies the financial statements.

My opinion on the financial statements will not cover the other information and I will not express any form of assurance conclusion thereon unless laws and regulations require me to do so. My responsibility is to read though the other information accompanying the financial statements that was obtained prior to the date of my audit report and consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I will have performed on the other information that I will obtain prior to the date of my audit report, I conclude there is a material misstatement of this other information, I will report this fact.

Communication with management and those charged with governance

During the course of the audit, I will be in continual communication with management and those charged in governance. Section 31(1)(b) of the Public Audit Act, 2015 requires me and the accounting officer to hold an inception meeting at the beginning of the audit to deliberate on the scope of the audit. At the end of the audit, I am also required by the Act to hold an exit meeting with the accounting officer to discuss my audit findings and recommendations. These meetings are, therefore, mandatory to both parties and I have included the target dates in this letter.

I will regularly inform the management about material findings obtained in the course of the audit so that they can take relevant measures. Our communication may be verbal or in writing.

As part of my audit process, I will request from management and, where appropriate, those charged with governance, written confirmation concerning representations made to me in connection with the audit.

The key deliverables and target dates that should be met by both parties are in Appendix 1.

Independence

ISSAI 130 on Code of Ethics requires me to maintain independence from Bomet County Assembly Car Loan and Mortgage Scheme Fund and communicate with you regarding all relationships between the Bomet County Assembly Car Loan and Mortgage Scheme Fund and me that, in my professional judgment, may reasonably be thought to bear on my independence. To provide further assurance, my quality management system requires me to ensure safeguards are applied to eliminate identified threats to independence, or reduce them to an acceptable level to ensure that I complied with relevant ethical requirements regarding independence.

At this time, I am not aware of any relationships between Bomet County Assembly Car Loan and Mortgage Scheme Fund and me and/or any of my audit staff that, in my professional judgment, may reasonably be thought to bear on my independence.

Documents

To assist me in the audit, I request the documents or statements in Appendix 2.

Agreement to terms

This letter will remain effective until it is replaced. I shall be grateful if you could confirm your agreement to the terms of this letter by signing and returning the enclosed copy, or let me know if the terms of my assignment are not in accordance with your understanding.

I look forward to full cooperation from your staff during my audit.

Yours faithfully

Wilson Maiyo

Deputy Director - Auditor in Charge (South Nyanza Region Office)

***For:* AUDITOR-GENERAL**

Acknowledgement of terms of the audit assignment
The terms of this audit assignment are acknowledged and agreed by .... on behalf of the Bomet County Assembly Car Loan and Mortgage Scheme Fund . ... Signed ISAAC KITUR - CLERK .... Name and position .... Date

Appendix 1: Key Deliverables and Dates

	Activity	Responsibility	Target date
Continuous Audit			
1.	Opening meeting between the audit team and the management of the audited entity to discuss the overall audit strategy for continuous audit.	Audit team and management of Bomet County Education Revolving Fund at relevant levels	*26/10/2021*
2.	Request for information and records from management.	Principal Auditor	*26/10/2021*
3.	Submit information and records requested for audit.	management of Bomet County Education Revolving Fund	*26/10/2021-27/10/2021*
4.	Perform the continuous audit	Audit team	*26/10/2021-29/10/2021*
5.	Issue audit queries to audited entity	Team leader	*26/10/2021-29/10/2021*
6.	Submit written response to audit queries to audit team.	The fund administrator	*26/10/2021-29/10/2021*
7.	Exit Meeting between the audit team and the management of the audited entity to discuss unresolved issues raised in the audit queries	Audit team and management of Bomet County Education Revolving Fund at relevant levels	*2/11/2021*
8.	Issue management letter	Director-Audit	*4/11/2021*
Final Audit			
9.	Submit financial statements and supporting files (Trial balance, lead schedules, and ledger) to auditors.	management of Bomet County Education Revolving Fund	*30 September 2021*
10.	Opening meeting between the audit team and the management of the audited entity to discuss the overall audit strategy.	Audit team and management of Bomet County Education Revolving Fund at relevant levels	26/10/2021
11.	Request for additional information from audited entity.	Principal Auditor	29/10/2021

	Activity	Responsibility	Target date
12.	Submit additional information requested for audit.	management of Bomet County Education Revolving Fund	29/10/2021
13.	Issue audit queries to audited entity.	Team leader	1/11/2021
14.	Submit written response to audit queries to audit team.	The fund administrator	1/11/2021
15.	Exit Meeting between the audit team and the management of the audited entity to discuss unresolved issues raised in the audit queries	Audit team and management of Bomet County Education Revolving Fund at relevant levels	2/11/2021
16.	Issue management letter.	Director- Audit	4/11/2021
17.	Submit written response to management letter to OAG	The fund administrator	14/11/2021
18.	Issue draft audit report	Director-audit	16/11/2021
19.	Issue management representation letter and response to draft report.	The fund administrator	19/11/2021
20.	Issue audit opinion to audited entity.	Auditor-General	31/12/2021

Appendix 2: List of Documents

PART A

1. List of Pending Court Cases
2. External audit reports covering FY 2020/2021 by the OAG or other audit firms
3. Audit Committee Minutes
4. Internal Audit reports FOR 2020/2021
5. Organizational Chart
6. Committee Members' CVs
7. Committee Minutes
8. Internal Audit Charter
9. Annual Internal Audit Plan for FY 20/21
10. Internal Audit Staff CVs
11. Management/ Departmental Minutes
12. Strategic Plan
13. Fraud Policy
14. Risk Management Policy
15. Fraud Investigation Reports
16. Code of Conduct
17. Human Resource Manual
18. Disaster Recovery Plan for Internal Controls

19. Financial Regulations and Procedures manual
20. List of IT Strategic Committee
21. IT Strategic Plan
22. List of IT Steering Committee
23. IT Training Programs
24. Terms of Reference of every IT Committee
25. IT security Policy
26. Procedures for IT Program Changes
27. Disaster Recovery Plan for IT Controls
28. IT Service Level Agreement
29. Service Level Agreements for all outsourced Services
30. Fund Laws and regulations

PART C

PART D

1. The general ledger.
2. Vote book.
3. Schedules in support of the financial statements figures and balances.
4. Bank statements and bank reconciliation statements for all the central bank and commercial banks accounts.
5. Cash books for all the bank accounts
6. Certificates of bank balances confirmations.
7. All correspondences minutes/ submission letters/ forwarding letters for 2020/2021 budget process.
8. Payment vouchers
9. 2020/2019 final budget
10. 2019/2020 final budget
11. 2020/2021 final budget.
12. Loan application forms
13. Collaterals
14. Loanee statements

38 447

Mary
Get the correct file
XXXX 30/9/21

REPUBLIC OF KENYA

HARAMBEE

COUNTY GOVERNMENT OF BOMET
DEPARTMENT OF FINANCE, ICT & ECONOMIC PLANNING

Telephone:0202084070
Email: *info@bomet.go.ke*

Office of the CEC Member
P.O. Box 19-20400
BOMET, KENYA

CGB/CLMF/29/9/21/(1)

September 29, 2021

BOMET COUNTY ASSEMBLY
RECEIVED
30 SEP 2021
P. O. Box 590-20400
BOMET

THE AUDITOR GENERAL,
P.O. BOX 30084
LOITA ST, NAIROBI

Dear Sir,

RE: SUBMISSION OF REPORTS AND FINANCIAL STATEMENTS FOR BOMET COUNTY CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30TH JUNE 2021

The above subject matter refers;

The Public Finance Management act (2012) requires that at the end of each Financial year, the Accounting Officer prepares and submit financial statements of each County entity in accordance with standards and formats prescribed by the Public Sector Accounting standards board.

Kindly find the accompanying financial statements for the year ended 30th June, 2021 in compliance with this act for your action.

Yours faithfully,

COUNTY GOVERMENT OF BOMET
THE TREASURY
29 SEP 2021
CHIEF OFFICER
FINANCE

CPA Benard Cheruiyot
Chief Officer - Finance
COUNTY GOVERNMENT OF BOMET

Noted
30/9/21

Copy to:
- **The Clerk- Bomet County Assembly**
- **National Treasury**
- **Controller of Budget**
- **Commission on Revenue Allocation**

43 (14)

Clerk's Chambers
Off Narok-Sotik Road
P.O Box 590-20400
Bomet

Email: clerk@bometassembly.go.ke
Website: www.bometassembly.go.ke
Cell: 0727 887 146
Twitter @bometassembly
Facebook: County Assembly of Bomet

HARAMBEE

REPUBLIC OF KENYA

BOMET COUNTY ASSEMBLY

OFFICE OF THE CLERK

THE NATIONAL TREASURY RECEIVED 30 SEP 2021 MAIN REGISTRY P.O. Box 30007-00100 NAIROBI

COMMISSION ON REVENUE ALLOCATION RECEIVED 30 SEP 2021 REGISTRY

Ref :BCA/OAG/29/09/21 **29th September 2021**

The Director,
Office of the Auditor General
Kisii Hub
KISUMU

Dear

RE:FINANCIAL STATEMENT FOR THE YEAR ENDING 3O JUNE 2021

The above subject matter refers,
Find attached the following audit reports for the year ended 30 June 2021
1.Bomet County Assembly final Accounts for the year ended 30 June 2021.
2. Bomet County Assembly Car Loan and Mortage Scheme Fund Accounts for the year ended 30 June 2021.

OFFICE OF THE CONTROLLER OF BUDGET
REGISTRY
30 SEP 2021
RECEIVED
TIME:.................................
P. O. Box 35616 - 00100, NAIROBI

Yours sincerly

....

ISAAC KIPLANGAT KITUR
CLERK OF THE ASSEMBLY