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**COUNTY GOVERNMENT
OF BUNGOMA**



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COUNTY ASSEMBLY OF BUNGOMA

**PUBLIC ACCOUNTS AND INVESTMENTS
COMMITTEE (PAIC) REPORT ON THE
AUDITOR GENERAL REPORT ON BUNGOMA
COUNTY ASSEMBLY STAFF CAR AND
MORTGAGE FUND FY:**

1. 2018/2019

2. 2020/2021

FEBRUARY 2023

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LIST OF ABBREVIATIONS

Abbreviations	Full description
OAG	Office of Auditor General
CASB	County Assembly Service Board
PFMA	Public Finance Management Act
CPA	Certified Public Accountant

1.0. CHAPTER ONE

1.1 PREFACE

Mr. Speaker sir,

On behalf of the Members of Public Accounts and Investments Committee and pursuant to the provisions of Standing Order No. 209 and in accordance with Article 229 of the Constitution of Kenya 2010, it is my pleasure and duty to present to this Assembly, the committee's reports on the Auditor General's Report on the Financial Statements of the Bungoma County Assembly Employee Car Loan and Mortgage Scheme Fund for the period 1st July 2018 to 30th June, 2019 and 1st July, 2020 to 30th June, 2021.

1.2 MANDATE OF THE COMMITTEE

The mandate of Public Accounts and Investments Committee is drawn from Standing Order number, 209 (5) with the functions to:

- a) Pursuant to Article 185 (3) of the Constitution of Kenya to exercise oversight over the County Executive Committee and any other County Executive Organ
- b) Pursuant to Article 229 (7) and (8) of the Constitution to examine the reports of the Auditor General on the annual accounts of the County Government.
- c) To examine special reports if any, of the Auditor General on County Government Funds
- d) To examine the reports if any of the of the Auditor General on the County Public Investments
- e) To exercise oversight over County Public Accounts and Investment's

1.3 POWERS

Mr. Speaker Sir,

The Committee pursuant to the provisions of Article 185(3) is mandated to exercise oversight over the County Executive Committee and any other County organs and also to examine special reports of the Auditor-General on County Government Funds in respect of the appropriation of sums granted by the County Assembly to meet the public expenditure, and to enforce adherence to the fiscal responsibility principles as provided under *Article 201 of the Constitution of Kenya, 2010*. The Committee executes its mandate on the basis of annual and special audit reports prepared by the Office of the Auditor-General (OAG).

1.4 GUIDING PRINCIPLES

1.4.1. AUDIT OF PUBLIC ACCOUNTS

According to Article 229(4) (b) of the Constitution of Kenya, within six months after the end of each financial year, the Auditor General is required to examine the Financial Report on the Accounts of all funds and authorities of the National and County Governments and express an opinion on the report on whether money appropriated by Parliament or the relevant County Assembly and disbursed;

- i. Has been applied for the purpose for which it was appropriated or raised;
- ii. Was expended in conformity with the authority that governs it; and was expended economically, efficiently and effectively.
- iii. The Audit reports shall then be submitted to Parliament or the relevant County Assembly for debate and consideration.

1.4.2. OBLIGATIONS OF ACCOUNTING OFFICERS

Section 149(1), of the PFM Act, 2012 stipulates 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 lawful and authorized; effective, efficient, economical and transparent.”*

1.4.3. DIRECT PERSONAL LIABILITY

Article 226(5) of the Constitution is emphatic 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”.

Mr. Speaker Sir,

Section 116(1) of the Public Finance Management Act provides that, the County Executive Committee Member for Finance may, with the approval of the County Executive Committee and the County Assembly, establish Public Funds.

Section 116 (7)(a) (b) (c) of the same Act directs that “The administrator of a 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, submit financial statements relating to those accounts to the Auditor-General and the County Assembly.”

Furthermore, the *Public Audit Act, No. 34 of 2015* stipulates that;

- 1) All reports of an Audit shall be submitted to Parliament or the relevant County Assembly.
- 2) Within seven days of receiving the report, Parliament shall publicize it

on its official website and other public spaces.

- 3) Within fourteen days after submitting the report to Parliament or the relevant County Assembly, the Auditor-General shall publicize the report on the official website and other public spaces.

Further, Section 35 of the same Act stipulates that, the Auditor-General shall conduct audits of financial statements under Article 229 of the Constitution for State Organs and public entities and report annually to Parliament and the relevant County Assembly.

Section 36(1) states provide, that the Auditor-General shall conduct performance audit to examine the economy, efficiency and effectiveness with which public money has been expended pursuant to Article 229 of the Constitution

Further and without prejudice to the foregoing, Section 4 of the Bungoma County Assembly (Employees-Car Loan Scheme Fund) Regulations, 2017 stipulate that the object and purpose of the Fund shall be to provide a loan scheme for the purchase of vehicles by members of the scheme.

Section 8(2) of the same Regulations states that the Log-book of a vehicle subject to a loan from the fund shall be issued jointly between the County Assembly and the member of the scheme and shall be kept in the custody of the officer administering the fund until the loan is repaid in full by the member of the scheme.

Section 4(a) of the Bungoma County Assembly(Employees-Mortgage scheme fund)Regulations,2018 provide that, the object and purpose of the fund is to provide a loan scheme for the purchase, development, renovation or repair of residential houses to members of the scheme.

Section 10(1) of the same Regulations stipulates that an application for a loan

under these Regulations shall be accompanied by the following documents where appropriate-

- (a) Copies of the designs of the proposed residential property duly approved by the relevant Government agency;
- (b) Bills of quantities in respect of the proposed development, renovation or repair;
- (c) An official search of the title to the property intended to be purchased; and
- (d) A certified copy of the sale agreement relating to the property.

Mr. Speaker Sir,

The Report of the Auditor General on the financial statements of the Bungoma County Assembly, Employees Car Loan and Mortgage Scheme Fund for the period beginning 1st July, 2018 to 30th June, 2019 has been produced in accordance with these provisions of the law after having been submitted to the County Assembly for tabling on 10th November, 2022.

The Public Accounts and Investments committee strongly holds the view that these provisions of the law were meant to ensure prudent and responsible use of public funds. The Committee has accordingly applied these provisions to recommend varying actions. The committee also places a premium on these principles, among others, and has been guided by them in the entire process that has culminated to this report.

1.4.4. CONFIDENTIALITY UNDERTAKING BY THE COMMITTEE

To enhance the integrity of the committee and its work, members of the Public Accounts and Investments Committee have signed a confidentiality undertaking in accordance with Bungoma County Assembly Standing Order No 98. In relation to the provisions of the said standing order, members have undertaken that in relation to the Bungoma County Assembly Employee Car Loan and Mortgage Scheme Fund for the period 1st July, 2018 to 30th June, 2019 and 1st July, 2020 to 30th June, 2021. No member of the Committee shall refer to the substance of the proceedings touching on the subject matter which shall include any evidence or documents presented to the committee and any information under discussion or deliberation at its meetings before it is tabled in the County Assembly.

1.5 MEMBERS OF PUBLIC ACCOUNTS AND INVESTMENTS COMMITTEE

1. Hon George Kwemoi Tendet	Chairperson
2. Hon. Bernard Kikechi	Vice Chairperson
3. Hon. Evelyne Mutiambu	Member
4. Hon. Everton Nganga	Member
5. Hon. Stephene Kaiser	Member
6. Hon. Jerusa Aleu	Member
7. Hon. Anthony Lusenaka	Member
8. Hon. Violet Makhanu	Member
9. Hon. Tim Chikati	Member
10. Hon. Alfred Mukhanya	Member
11. Hon. John K Wanyama	Member

1.6 ACKNOWLEDGMENT

In conclusion, **Honorable Speaker**, the Committee wishes to express its gratitude to the Offices of the Speaker and the Clerk for the support rendered to it during the consideration of the report of the Auditor General's Report on the Financial Statements of the Bungoma County Assembly Employee Car Loan and Mortgage Scheme Fund for the period 1st July, 2018 to 30th June, 2019 and 1st July, 2020 to 30th June, 2021.

The Committee further wishes to thank the Clerk and his officers who appeared before it for their cooperation.

Finally, the Committee acknowledges the valuable input and services rendered by the Office of the Auditor-General in considering submissions from the County Assembly.

Mr. Speaker Sir, on behalf of the Public Investment and Accounts Committee, I now wish to table this report and urge the Honorable House to adopt it and the recommendations therein.

SIGNED.. *G. Kwemoi Tendet*DATE.. *23/01/2023*

**HON. GEORGE KWEMOI TENDET, MCA- ELGON WARD
(CHAIRMAN, PUBLIC ACCOUNTS COMMITTEE).**

2.0 CHAPTER TWO

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF BUNGOMA COUNTY ASSEMBLY- EMPLOYEE CAR LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30TH JUNE 2019

2.1 Accuracy of the Financial Statements

The statement of financial performance reflects total expenses balance of Kshs 526,868. However, the statement of Comparison of Budget and Actual Amounts reflects Kshs 355,008 on total expenditure resulting to a variance of Kshs 171,860, which relates to fund administration expenses. Further, the same statement indicates that the Notes to the financial statements are set out on pages 27 to 32 instead of pages 1 to 27.

2.1.1 Written Submissions

The management agrees with the findings of audit. However, on the financial statements, for FY 2018/2019 under Financial Performance, the expenses had been categorized as fund administration expenses of kshs.171860 and general expenses of Kshs.355008. The fund administration expenses amount had been omitted in the statement of comparison of budget and actual amount. The amended financial statements have been attached.

2.1.2 Oral Submissions

The Accounting Officer agreed with the Audit findings. He stated that the said corrections had since been made in the Subsequent statements.

This lapse is attributed to lack of adequate personnel in the accounts

department during the said period; a situation which had been addressed through recruitment of additional staff to the department. Currently, there is an accountant who is dedicated to the operations of the Car and Mortgage funds.

2.1.3 Committee Observation

The variance errors in the misstatement on the financial statements were amended in the subsequent year as verified.

2.1.4 Committee Recommendations

Management should ensure they always prepare accurate financial statements in compliance to the Public Finance Management Act and Public Sector Accounting standards guidelines on IPSAS accrual basis.

2.2 Cash and Cash Equivalents

As disclosed in note 4 of the statements, the statement of financial position reflects, a bank balance of Kshs 869,186 as 30 June 2019. However, review of the bank reconciliation statements revealed that the management used the bank certificate balance instead of the reconciled cashbook balances of Kshs 2,742,872, resulting into un-reconciled variance of Kshs 1,873,686.

In the circumstances, it was not possible to confirm that the cash and cash equivalents balance of Kshs. 869,186 as at 30 June 2019 is fairly stated.

2.2.1 Written Submissions

The figures have been rectified to reflect the cashbook balances. Attached find the extract of the financial statements for FY 2019/2020 reflecting the amended cash and cash equivalents (the amended financial statement has been attached)

		FY2018/2019	FY 2017/2018
Financial Institution	Account number	Kshs	Kshs
Current Account			
Kenya Commercial Bank	1206004991	817398	8244
Kenya Commercial Bank	1206090308	1925474	227
Grand Total		2742872	8471

2.2.2 Oral Submissions

The Accounting Officer submitted that an accountant had been assigned to attend to bank reconciliation statements and that the current figures reflect the accurate cash book balances.

2.2.3 Committee Observation

There were glaring weak internal control systems in management of cash and cash equivalents by failing to prepare regular monthly reconciliation of the cashbook.

The management provided an updated reconciliation for cash and cash equivalents for the reported un-reconciled variance of Kshs. 1,873,686.

2.2.4 Committee Recommendations

The Accounting officer to strengthen internal control systems by ensuring that regular monthly reconciliation of the cashbook is done

Report on Lawfulness and Effectiveness in Use of Public Resources

2.3. Car loan and Mortgage Scheme

2.3.1. Lack of Security on Mortgage and Car Loan Disbursed to staff

As disclosed in Note 5B to the financial statements, the total non-current receivables balance of Kshs 79,517,372 in respect of the outstanding mortgage and car loan balance as at 30 June 2019. However it was noted the properties were not charged contrary to Regulation 16(1) of Bungoma county assembly (Employees mortgage scheme fund) Regulations 2018 which stipulates that the committee shall have a charge registered on the property financed through a loan granted and shall be entitled to have its name entered in all documents of title of the property.

Further there was no evidence that the borrowers had taken out an insurance cover on the mortgage protection policy and a fire policy with a reputable insurance firm as per Regulation 17 of Bungoma County Assembly (Employees mortgage scheme fund) Regulations 2018

Further it was noted that the logbooks were not registered on joint ownership with the county assembly contrary to Regulation 8(2) of Bungoma county assembly (Employees car loans scheme fund) Regulations 2017 which states that the logbook of a vehicle subject to a loan from the fund shall be issued jointly between the County Assembly and the member of the scheme and should be kept in the custody of the officer administering the fund until the loan is repaid in full by the member of the scheme. In addition there is no evidence that the vehicles purchased through the scheme were

comprehensively insured as per Regulation 12(1) of the same regulations

2.3.2. Written Submissions

The management agrees with the findings of the audit. However, the process of charging mortgage property for a few beneficiaries was initiated by the registrar of lands ministry Bungoma and the properties are at the Land Registry as per the attached lawyers correspondences.

As for the Logbooks, the securities have been issued jointly between County Assembly and members of the scheme (Co owned logbooks attached for verification)

2.3.3. Oral Submissions

The Accounting Officer submitted that the logbooks and title deeds for loan beneficiaries had been subjected to joint ownership with the County Assembly and charged respectively; and as that, the County Assembly had engaged an Advocate who was facilitating the charging process on the properties.

Further the Accounting Officer stated that recoveries on most of the issued car loans were almost complete.

That the administration was working on the security of the mortgage loans through insurance to forestall any losses.

2.3.4. Committee Observation

The committee notes that at the time of audit, the accounting officer had not complied with the provisions of Regulation 8 (2) of the Bungoma County Assembly employees Car loan scheme fund regulations 2017. However, at the time of interrogation of this report, the management had complied with the

regulations by co registering the log books in the joint names of the County Assembly and the beneficiary members of the scheme.

The committee further notes that staff mortgage scheme regulations had not been fully complied with by charging all mortgage properties as per regulation 16 (1) of the Bungoma County Assembly Employees mortgage scheme fund regulations of 2018. A few of the land titles had not been charged since the process was still on going with the titles taken to Land registry for processing.

The committee notes that the borrowers had not taken out an insurance cover on the mortgage protection policy and a fire policy with a reputable insurance firm as per Regulation 17 of Bungoma County Assembly (Employees mortgage scheme fund) Regulations 2018.

2.3.5. Committee Recommendations

The management should ensure that all loans disbursed to beneficiaries should have security as per regulations governing the funds.

The management should fast track the process of charging titles of the member beneficiaries at the lands registry. Going forward all disbursements on car and mortgage should be transferred and charged within 60 days.

2.4. Irregular Advances of Mortgage Loans

As disclosed in Note 5B to the financial statements, the statement of financial position reflects Kshs 79,517,350 on long term receivables

From exchange, transactions which include Kshs 21,100,000 on loan disbursements paid out. However included in Kshs 21,100,000 is Kshs

19,700,000 whose application for the advanced mortgages were not supported with the following documents as prescribed Regulation 10 (1) of the Bungoma county assembly (Employees mortgage scheme fund) Regulations 2018

- i. Copies of designs of the proposed residential property duly approved by relevant Government Agency.
- ii. Bills of quantities in respect of the proposed development, renovation or repair.
- iii. An official search of the title to the property intended to be purchased.
- iv. A verified copy of the sale agreement relating to the property.

NB/In the circumstances, the fund management is in breach of law.

2.4.1 Written Submissions

The management agrees with the findings, in that at the time of the audit members of the scheme who had been advanced mortgage loan were in process of availing the supporting documents. The same were later availed. (Official searches and sale agreements attached).

2.4.2. Oral Submissions

The accounting Officer submitted that beneficiaries have complied with the Regulations and had availed all the necessary supporting documents for the loans facility as per the stipulated conditions. The charging process was being effected on the titles and security on the properties.

2.4.3. Committee Observation

The fund management was in breach of Regulation 10 (1) of the Bungoma County Assembly (Employees mortgage scheme fund) Regulations 2018 on irregular advancement of mortgage loans without adhering to requisite

guidelines.

The charging process on mortgage facilities had not been concluded for all the advanced loans.

2.4.4. Committee Recommendations

The Management to ensure that compliance in respect to issuance of mortgage facilities is adhered to as per the provisions in the regulations.

2.5. Lack of an Approved Budget.

Documents provided for Audit revealed that the fund did not have an approved budget contrary to Section 149(2h) of the Public Finance Management act 2012, which requires the Accounting officer to prepare estimates of expenditure of the entity in conformity with the strategic plan.

2.5.1. Written Submissions

The management agrees with the audit findings that at the time of Audit, the fund management committee had not prepared and approved its budget but moving forward the management promises to prepare the budget and it will be provided in subsequent audits.

2.5.2. Oral Submissions

The Accounting Officer agreed with the Audit findings and undertook to prepare and approve the subsequent fund budgets.

2.5.3. Committee Observation

The management was in breach of Section 149(2h) of the Public Finance Management Act 2012 which requires that estimates of expenditure are prepared in conformity with the strategic plan.

2.5.4. Committee Recommendations

The management should ensure that approved budget is used to control expenditure and avoid unauthorized reallocations.

The management to ensure the fund meets the purpose for which it was established through ensuring proper strategic planning and budgeting processes.

2.6. Outstanding Borrowings by the County Assembly

Service Board

As disclosed under note 5A the statement of financial position reflects Kshs 17,402,830 on the current portion of long term receivables from exchange transactions. However included the Kshs 17,402,830 is Kshs 17,190,318 in respect of the un-refunded borrowings by the County Assembly Service Board contrary to regulation 4 of both the Public Finance Management (County Assembly Employee car loan scheme Fund) Regulations 2017 and the Public Finance Management (County Assembly Employee Mortgage Fund) Regulations 2018 which states that the purpose of the fund is to provide a loan scheme for purchase of vehicles by staff of the scheme and the purchase, development, renovation or repair of the staff of the scheme respectively.

Further, the management did not provide loan application forms and management committee approval minutes and loans agreement.

2.6.1 Written Submissions

The management agrees with the findings of the audit. However, the County Assembly Service Board has refunded the borrowed funds as per the attached vouchers (voucher and bank statements attached)

2.6.2 Oral Submissions

The Accounting Officer submitted that the outstanding amount at the time of audit i.e. Kshs 17,190,318 has since been cleared.

That the borrowings are often necessitated by delayed exchequer releases against financial demands.

That amendment of the Fund Regulations has assisted the management in streamlining some of these borrowings. Initially the CASB Secretary (Clerk) was also the Fund Administrator and thus created systemic gap. Administratively, the management has worked on proposed amendments to the Regulations which have delegated the Fund Administrator's role away from the Accounting Officer.

2.6.3 Committee Observation

The Staff and Car loan fund regulations don't have provisions for borrowings however, section 142 of the PFM Act 2012 provides for borrowing by the County Assembly which should be observed whenever the County Assembly Service Board borrows monies from the fund.

The committee notes that the borrowings by the County Assembly Service Board have always taken long to be repaid.

2.6.4 Committee Recommendations

The accounting officer should be repaying the borrowed monies from the fund within a stipulated period of one month from the date of borrowing and further no borrowing should go beyond the financial year.

2.7. Failure to remit Fringe Benefit Tax

Documents provided for audit revealed that the fund management did not remit to Kenya Revenue Authority the Fringe Benefit Tax amounting to Kshs

720,076 which accrued from the low interest loans extended to its members during the year as tabulated below:

Interest @3 P.A (Kshs.)	Interest at KRA Prescribed Rate @7%P.A (Kshs)	Taxable Fringe Benefit (Kshs)	FBT@30%(Kshs)
1,800,194	4,200,446	2,400,252	720,076

The management of the fund did not therefore, comply with section 12 (b) (1) and (3) of the income tax act 2010 that require an employer to pay fringe benefit tax on behalf of the employee or direct an interest rate lower than the market interest rate and section 12(3) which require the benefit tax to be charged on the total taxable value of a fringe benefit provided by an employer in a month and remitted on or before the tenth day of the following month to KRA

2.7.1 Written Submissions

The management agrees with the findings of audit. However, through the examination of payments by the Kenya Revenue Authority a demand letter was issued and the funds were remitted by the County Assembly of Bungoma Service Board. (Demand notice attached).

2.7.2 Oral Submissions

The Accounting Officer agreed with the Audit Findings and stated that they entered into an agreement with the Kenya Revenue Authority and had settled the outstanding tax arrears and penalties.

2.7.3 Committee Observations

The management was in breach of section 12(b)(1) and (3) of the income tax act, 2010 and section 12(3) which requires that Fringe Benefit Tax to be charged on total taxable value of a fringe benefit provided by an employer in a month and remitted on or before the tenth day of the following month to KRA. However the tax had been cleared by the County Assembly.

2.7.4 Committee Recommendations

The management should always ensure that fringe benefit Tax and remittances to Kenya Revenue Authority are remitted whenever such loans are issued in compliance with Section 12 of the income tax Act.

3.0 CHAPTER THREE

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF BUNGOMA COUNTY ASSEMBLY- EMPLOYEE CAR LOAN AND MORTGAGE FUND SCHEME FOR THE YEAR ENDED 30TH JUNE 2021

3.1 Outstanding Borrowings by County Assembly

Service Board

As previously reported, Note 5A to the financial statements reflects a current loan repayments due balance of Kshs.9,862,225 in respect of un-refunded borrowings by the County Assembly Service Board in contravention of Regulation 4 of the Public Finance Management (County Assembly Employee Car Loan Scheme Fund) Regulations, 2017, and, Regulation 4 of the Public Finance Management (County Assembly Employee Mortgage Fund) Regulations, 2018, which state that the object and purpose of the Fund is to provide a loan scheme for the purchase of vehicles by staff of the Scheme and for the purchase, development, renovation or repair of residential property by staff of the Scheme, respectively. In the circumstances, the Fund Management was in breach of the law.

3.1.1 Written Submissions

The management agrees with the findings of audit on the borrowing of Ksh. 9,862,225 by County Assembly Service Board. However, the funds were repaid on 10th November, 2021 as per the attached voucher and bank statement excerpt.

3.1.2 Oral Submissions

The Accounting Officer submitted that the outstanding amount of Kshs 9,862,225 which was arising from the CASB borrowing at the time of audit has since been repaid. The Accounting Officer availed the payment voucher and bank statements to that effect.

3.1.3 Committee Observations

The committee observed that the outstanding amount of Kshs 9,862,225 which was arising from the CASB borrowing at the time of audit has since been repaid.

3.1.4 Committee Recommendations

The management to ensure that the fund remains within its mandate in which its main object and purpose is to provide a loan scheme for the purchase of vehicles by members of the scheme, and for the purchase, development, renovation or repair of residential property by members of the scheme respectively.

The accounting officer should be repaying the borrowed monies from the fund from the subsequent exchequer releases since the borrowings is attributed to late exchequer releases, and no further borrowing should be granted until the previous debt is cleared.

3.2. Late Submission of the Financial Statements

The financial statements for the Fund were submitted for audit on 7 October, 2021, contrary to the provisions of Section 116(7) (b) 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 for

audit within three months after the end of the financial year to which they relate, in this case 30 September, 2021.

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

3.2.1 Written Submissions

The management agrees with the audit findings and commits to adhere to statutory timelines as required. The late submission was due to COVID- 19 pandemic that rendered most staff away from office environment.

3.2.2 Oral Submissions

The Accounting Officer agreed with the audit findings and attributed the delays to the hitches brought about by the COVID-19 pandemic and disruptions occasioned by human resource reorganization within the department of Finance and Accounts.

3.2.3 Committee Observations

The committee notes that the accounting officer submitted late financial statements contrary to Provision of the PFM Act.

3.2.4 Committee Recommendations

The accounting officer should ensure compliance to the law on submission of financial statements and other statutory records which require financial statements to be submitted to the Auditor-General for audit within three months after the end of the financial year to which they relate, in this case 30 September each year.

3.3. Professional services Costs

The expenditure of Kshs 2,696,665 shown in the statement of financial performance under general expenses includes, as shown under note 3, expenditure of Kshs 619,628 incurred on professional services. The amount was paid to a local law firm for provision of legal services relating to preparation and registration of legal charges on staff mortgage loans, despite the fact that the Assembly has an internal legal officer. No explanation was provided for incurring expenditure on duties that ordinarily should be performed in-house

3.3.1 Written Submissions

The management agrees with the findings of the audit that the registration of charges should be done by the institution's legal team which had staffing problems but currently the problem has been sorted by employing a Legal Counsel who will be handling the issue raised by the auditor.

3.3.2 Oral Submissions

The Accounting Officer agreed with the audit findings and submitted that the recent staff recruitment exercise addressed staffing issues in the Legal Department. That, competent officers had been brought on board including a Legal Counsel who has been mandated to handle all legal obligations related to the fund.

3.3.3 Committee Observations

There was shortage of staff in the Legal department which has been addressed by recruitment of more qualified staff to handle litigation matters on behalf of the Assembly.

3.3.4 Committee Recommendations

The Legal department of the County Assembly should be assigned to handle legal matters affecting the County Assembly instead of out sourcing the services.

4.0 CHAPTER FOUR

4.1 CONCLUSION

The audit report of 2018/2019 and 2020/2021 indicates an improvement by the accounting officer in the management of the County Assembly staff Car and Mortgage funds to an extent of achieving un qualified audit report for FY 2020/2021 .

3.0. ADOPTION SCHEDULE

The members of Public Accounts and Investment Committee append signatures adopting this Report with its recommendation's

S/N	NAME	TITLE	SIGNATURE
1	Hon. George Kwemai Tendet	Chairperson	<i>G. Tendet</i>
2	Hon. Benard Kikechi	Vice-Chairperson	<i>B. Kikechi</i>
3	Hon. Everton Nganga	Member	<i>E. Nganga</i>
4	Hon. Anthony Lusenaka	Member	<i>A. Lusenaka</i>
5	Hon. Jerusa Aleu	Member	<i>J. Aleu</i>
6	Hon Violet Makhanu	Member	<i>V. Makhanu</i>
7	Hon Everlyne Mutiembu	Member	<i>E. Mutiembu</i>
8	Hon. Timothy Chikati	Member	<i>T. Chikati</i>
9	Hon Stephen Kaiser	Member	<i>S. Kaiser</i>
10	Hon. Alfred Mukhanya	Member	<i>A. Mukhanya</i>
11	Hon. John K Wanyama	Member	<i>J. Wanyama</i>

4.3 ANNEXTURES

1. Copy of the queries on the Bungoma County Assembly Staff Car and Mortgage Fund FY 2018/2019 & 2020/2021
2. Responses written responses on the queries