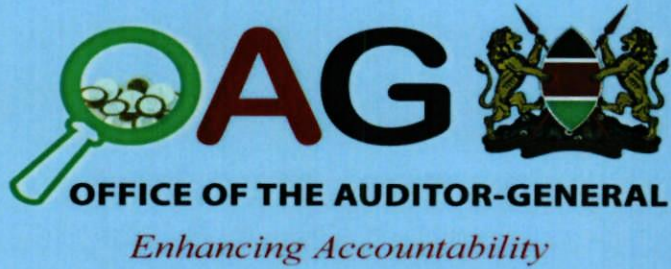


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REPORT

OF

THE AUDITOR-GENERAL

ON

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**BARINGO COUNTY EXECUTIVE
MORTGAGE SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2020**



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BARINGO COUNTY EXECUTIVE MORTGAGE SCHEME FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30 JUNE 2020

Prepared in accordance with the Accrual Basis of Accounting Method under the International Public
Sector Accounting Standards (IPSAS)

**Baringo County Executive Members' Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June 2020**

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Baringo County Executive Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June 2020

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Baringo County Executive Members' Mortgage Fund is established by and derives its authority and accountability from the Public Finance Management(Baringo County Executive Members Mortgage Scheme Fund) Regulations 2018. The Fund is wholly owned by the County Executive of Baringo and is domiciled in Kenya.

The fund's object and purpose is to provide a mortgage scheme for the purchase, development, renovation or repair of residential property by members of the County Executive as is prescribed by the Salaries and Remuneration Commission in their letter dated 27 November 2013.

The Fund's principal activity is the provision of loans and mortgages to the Members of County Executive and ensuring that loans advanced are recovered.

b) Loans Management Committee

Ref	Name	Position
1	Elijah Kipkoros	Chairman
2	David Sergon	Member
3	KibiwottKoima	Member
4	Alexander Lomaringoria	Member
5	Richard Rotich	Member
6.	Joseph Korir	Member
7.	Francis Komen	Member
8.	Samson Kibiy	Member
9.	John Kisang	Member
10.	Julius Tarus	Member

c) Key Management

Ref	Name	Position
1.	John Kisang	Chief Officer
2.	GikonoKiptoo	Fund administrator
3.	David Rerimoi	Fund Accountant

**Baringo County Executive Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June 2020**

d) Registered Offices

**Registered Offices
P.O Box 53-30400
AFC Building
Kabarnet –Iten Road**

e) Fund Contacts

Telephone:(254) 053-22115
E-mail: baringocountyExecutive@gmail.com
Website: www.baringoExecutive.go.ke

f) FundBankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
A/C NO. 1000171097
2. Kenya Commercial Bank
Kabarnet Branch
P.O. Box 175-30400
Kabarnet
A/C NO. 1179329708

g) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O.Box 30084
GPO 00100
Nairobi, Kenya

h) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

Baringo County Executive Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June 2020

2. THE BOARD OF TRUSTEES

Name	Details of qualifications and experience
1. Elijah Kipkoros	CECM Transport and Infrastructure
2. David Sergon	CECM Trade and Industrialization
3. KibiwottKoima	CECM Lands, Housing and Urban Development
4. Alexander Lomaringoria	CECM Education
5. Samson Kibiy	CEO Public Service Board
6. Richard Rotich	CECM Finance and Economic Planning
7. Joseph Korir	Chairman Public Service Board
8. Francis Komen	County Secretary

**3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S
PREDETERMINED OBJECTIVES**

Introduction

Section 164(2)(f) of the Public Finance Management Act 2012 requires that at the end of each financial year, the Accounting Officer when preparing financial statements of each County Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The object and purpose of the Baringo County Executive Mortgage Scheme Fund is to provide a loan scheme for the purchase, development, renovation or repair of residential property for state officers and public servants as prescribed by Salaries and Remuneration Commission.

State officers and public servants who have benefited from this facility are currently repaying their loans thus building up the revolving fund for on lending to other staff.

**Baringo County Executive Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June 2020**

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
1. John Kisang	Year of birth:1972 Key Qualifications:Degree
2. David Rerimoi	Year of birth 1980 Key Qualifications: Masters in Business Administration ,BBA,CPA(K)
3. GikonoKiptoo	Year of Birth:1980 Key Qualifications: Masters in Business Administration (UON),BCOM,CPA(K) Senior Management Course

**Baringo County Executive Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June 2020**

5. BOARD/FUND CHAIRPERSON'S REPORT

It is my pleasure to present the Baringo County Executive Members Mortgage Scheme Fund financial statements for the year ended 30 June 2020. The financial statements present the financial performance of the Fund over the past year.

(a) Funds received during the year

During the period under review, Ksh.12,000,000 was received from the Exchequer as additional Fund capital for onward lending to the Members.

(b) Loan disbursements and recoveries

During the year ended 30 June 2020, a total of Ksh. 18,500,00 was disbursed as mortgage loans to the Members.

Out of the total loans disbursed, Ksh.5,122,770 was recovered from the Members during the period.

(c) Surplus for the period

During the year ended 30 June 2020, the Fund realized a surplus of Ksh435,146.00

(d) Future Outlook of the Fund

The Loans Management Committee plans to disburse loans in the future to the members of staff subject to the availability of funds.

(e) Conclusion

In conclusion, FY 2019/2020 was a good year in general. Good progress was made and the momentum has been created to enable the Fund on a trajectory into prosperity. The Fund has been instrumental in facilitating the Members purchase or develop residential property to improve their welfare and enable them deliver on their mandate.

I thank all Members and staff in the entire County Executive for their continued commitment and dedication through hard work in delivering services to the people of Baringo County.

Signed: _____



Date: _____

18/01/2021

Name of Chairperson: Hon. Elijah Kipkoros

**Baringo County Executive Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June 2020**

6. REPORT OF THE FUND ADMINISTRATOR

It is my pleasure to present the Baringo County Executive Members Mortgage Fund financial statements for the year ended 30 June 2020. The financial statements present the financial performance of the Fund over the past year.

The performance of the Fund can be summarized in the following major areas:

(a) Key Management Team

The Fund's key management team is comprised of the Fund Administrator, Director Finance, Legal Officer and the Fund Accountant.

(b) Funds received during the year

During the period under review, Ksh. 12,000,000.00 was received from the Exchequer as additional funds for onward lending to the Members

(c) Loan disbursements and recoveries

During the year ended 30 June 2020, a total of Ksh. 18,500,000 was disbursed as Mortgage loans to the Members.

(d) Surplus for the period

During the year ended 30 June 2020, the Fund realized a surplus of Ksh. 435,146.00

(e) Future Outlook of the Fund

The Loans Management Committee plans to disburse loans in the future to the members of staff subject to the availability of funds.

(f) Conclusion

In conclusion, FY 2019/2020 was a good year in general. Good progress was made and the momentum has been created to enable the Fund on a trajectory into prosperity.

I thank all Members and staff in the entire County Executive for their continued commitment and dedication through hard work in delivering services to the people of Baringo County.

Signed: _____



Date.....

15/7/2021

Name of Fund Administrator: John Kisang

7. CORPORATE GOVERNANCE STATEMENT

Baringo County Executive consists of the Members of County Executive who are elected and appointed by the County Governor. The County Executive is currently composed of 10 appointed and 2 elected members. The County Executive is headed by the Governor, who is elected by the Public.

During financial year 2019-2020, the Loans Management Committee held 3 meetings. The meetings of the Committee are convened by the Chairperson or in the absence of the Chairperson, by a member designated by the Chairperson and shall be convened at such times as may be necessary for the discharge of the Committee's functions. The quorum for a meeting of the Committee shall be Chairperson and any other three members.

The Committee administers the Fund by:

- (a) Processing applications for loans in accordance with the existing terms and conditions of borrowing;
- (b) Liaising with the housing company (if any) to set up a revolving fund for the disbursements of the loans; and
- (c) Supervising the day-to-day running of the Fund.

The allowances payable to the Committee members are determined by the Salaries and Remuneration Commission.

The annual financial statements of the Fund are subject to audit by the Auditor- General.

8. MANAGEMENT DISCUSSION AND ANALYSIS

The major risk facing the Executive's Mortgage Fund is loan default in case of the death of a member. However, this risk has been mitigated by insuring all the members' loans for the benefit of the member of the scheme. This will ensure that in the unfortunate death of a member of the Fund, the loan balance due to the Fund will be reimbursed by the insurance company.

Where a repayment of loan is not made in accordance with the terms and conditions of the Regulations, the sums of money due and owing to the Fund shall be recoverable by the Loans Committee, without prejudice to any other remedy, in civil proceedings in the High Court.

All mortgages granted to the Members are currently being recovered through the payroll check-off system from the members' monthly emolument. There is currently no major financial improbity as reported by internal audit/Board audit committee, external auditors, or other County Government Agencies providing oversight.

9. REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended 30 June 2020 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund isto provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the County Executive as prescribed by the Salaries and Remuneration Commission.

Results

The results of the Fund for the year ended 30 June 2020 are set out on page 14 to 18.

Trustees

The members of the Board of Trustees who served during the year are shown on pages 4 to 5.

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Member of the Board

Date: 

**Baringo County Executive Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June 2020**

10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Baringo County Executive Mortgage Scheme Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Baringo County Executive Mortgage Scheme Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on 30 June 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the accepts responsibility for the Fund's financial statements, which have been prepared using Baringo County Executive Mortgage Scheme Fund appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management Act, 2012 and the Baringo County Executive Members Mortgage Scheme Fund Regulations 2015. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended 30 June 2020, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the Baringo County Executive Mortgage Scheme Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

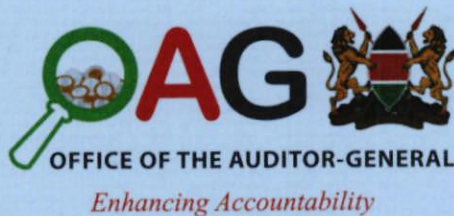
Approval of the financial statements

The Fund's financial statements were approved by the Board on 15/1/2021 ~~2020~~ and signed on its behalf by:



Administrator of the Baringo County Executive Mortgage Scheme Fund

REPUBLIC OF KENYA



Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

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

REPORT OF THE AUDITOR-GENERAL ON BARINGO COUNTY EXECUTIVE MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Baringo County Executive Mortgage Scheme Fund set out on pages 14 to 31 which comprise of the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Errors in Annual Report and Financial Statements

The annual reports and the financial statements prepared and presented for audit had the following errors: -

- 1.1. Headers on pages 17, 18 and 19 have omitted the name of the entity "Baringo County Executive Mortgage Scheme Fund";
- 1.2. Management team on page 6 did not include passport-size photos of management team;
- 1.3. The statement of changes in net assets refers to opening balance as at "30 June, 2018" instead of "balance as at 30 June, 2019"
- 1.4. Progress on follow up of auditor recommendations on page 31 is blank;

Consequently, the financial statements for the year ended 30 June, 2020 did not comply with the International Public Sector Accounting Standard No.1 on prescribed by the Public Sector Accounting Standards Board.

2. Inaccuracies in the Financial Statements

The financial statements for the year ended 30 June, 2020 prepared and presented for audit contained the following inaccuracies: -

- 2.1. The statement of financial performance reflects comparative bank charges of Kshs.1,900 while Note 2 to the financial statements reflects Kshs.2,825 resulting to an unexplained and unreconciled variance of Kshs.925;
- 2.2. The statement of financial position reflects total equity of Kshs.61,973,711 while casting revealed a total amount of Kshs.60,973,711 resulting to an unexplained and unreconciled variance of Kshs.1,000,000;
- 2.3. The statement of financial position reflects net assets amount of Kshs.61,408,857 while casting of total equity revealed a total of Kshs.60,973,711 resulting to an unexplained and unreconciled variance of Kshs.435,146, as a result the statement does not balance;
- 2.4. The statement of financial position reflects revolving fund at Kshs.59,500,000 while the statement of changes in net assets reflects an amount of Kshs.61,572,858 resulting to an unexplained and unreconciled variance Kshs.2,072,858;
- 2.5. The statement of changes in net assets reflects total balance as at 30 June, 2020 of Kshs.64,120,789 while casting revealed an amount of Kshs.63,890,516 resulting to unexplained nor reconciled variance of Kshs.230,273;
- 2.6. The statement of cash flows for the year ended 30 June, 2020 reflects total payments of Kshs.164,195 while re-casting resulted to a balance of Kshs.167,195 resulting to an unexplained error of Kshs.3,000;
- 2.7. The statement of cash flows for the year ended 30 June, 2020 reflects net increase/(decrease) in cash and cash equivalents of Kshs.(747,464) while re-casting resulted to a balance of Kshs.(942,084) resulting to an unexplained and unreconciled variance of Kshs.194,620;
- 2.8. The statement of comparison of budget and actual amounts reflects a deficit of Kshs.14,193,886 under performance difference column while casting revealed deficit of Kshs.2,136,704 resulting to an unreconciled and unexplained variance of Kshs.12,057,182.

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2020 could not be confirmed.

3. Revenue from Exchange Transactions

The statement of financial performance reflects interest income balance of Kshs.602,341 as disclosed under Note 1 to the financial statements. However, analysis of the schedule provided for audit revealed interest earned totaling Kshs.1,054,562 resulting to an unexplained and unreconciled variance of Kshs.452,221.

Under the circumstances, the accuracy and completeness of interest income of Kshs.602,341 for the year ended 30 June, 2020 could not be confirmed.

4. Unsupported Expenses

The statement of financial performance reflects total expenses of Kshs.167,195 (2019 - Kshs.1,900) as disclosed under Note 2 to the financial statements. However, the support schedules and payment vouchers were not provided for audit review.

Under the circumstances, the accuracy and completeness of total expenses balance of Kshs.167,195 for the year ended 30 June, 2020 could not be confirmed.

5. Long Term Receivables from Exchange Transactions

The statement of financial positions reflects long term receivables from exchange transactions of Kshs.59,596,453 (2019 - Kshs.46,219,223) as disclosed under Note 4 to the financial statements. However, analysis of the schedule provided for audit revealed a total of Kshs.65,048,471 resulting to an unreconciled and unexplained variance of Kshs.5,452,018. Further, no current portion of long-term receivables from exchange transactions was disclosed. This is contrary to paragraph 76(c) of the International Public Sector Accounting Standards No. 1 that requires amounts expected to be received in the next twelve months after reporting date to be classified as current assets, and all other assets to be classified as non-current.

Consequently, the accuracy and completeness of long-term receivables from exchange transactions balance of Kshs.59,596,453 as at 30 June, 2020 could not be confirmed.

6. Misstatement of the Revolving Fund

The statement of changes in net assets as at 30 June, 2020 reflects a revolving fund balance of Kshs.61,572,858. However, analysis of financial statements from inception of the Fund in the financial year 2014/2015 revealed transfer from the County Government of Kshs.59,500,000 while mortgage records provided reflected an amount of Kshs.64,200,000. In addition, the revolving fund balance was not supported by detailed schedules indicating opening balances, additions/movement and closing balances.

Under circumstances, the accuracy and completeness of the revolving fund balance of Kshs.61,572,858 reflected in the statement of changes in net assets as at 30 June, 2020 could not be confirmed.

7. Lack of Approved Budget

The statement of comparison of budget and actual amounts reflects final receipts budget of Kshs.14,414,745 and final expenses budget of Kshs.18,667,195. However, the approved budget estimates were not provided for audit. This contravenes Section 31(a) of the Public Financial Management (County Governments) Regulations, 2015 which requires that all revenue and expenditure shall be entered into the County Government budget estimates and approved for one year only. It also contravenes Section 99(2) of the Public Financial Management (County Governments) Regulations, 2015 which requires that the approved budget estimates of expenditure shall form the basis of the financial statements for the financial year.

To the extent, the Fund Management is in breach of the law.

8. Non-Adherence to Mortgage Fund Regulations

A review of mortgage records revealed that the Fund disbursed Kshs.64,200,000 as mortgages to members. However, the following observations which contravene the Public Finance Management (Baringo County Executive Members Mortgage Scheme Fund) Regulations, 2018 were noted;

- (i) There was no evidence of mortgage insurance and debiting of the cost in each borrower's account contrary to Section 16 of the Public Finance Management (Baringo County Executive Members Mortgage Scheme Fund) Regulations, 2018.
- (ii) There was no evidence that the fund manager maintained original documents in respect of title deeds, authentic allotment letters and sale agreements contrary to Section 17(1) and (2) of the Public Finance Management (Baringo County Executive Members Mortgage Scheme Fund) Regulations, 2018.
- (iii) There is no evidence of maintenance of copies of designs, bills of quantities, official search, certified copies of sale agreement and valuation reports contrary to Section 9(1) of the Public Finance Management (Baringo County Executive Members Mortgage Scheme Fund) Regulations, 2018.
- (iv) The Committee did not appoint a mortgage institution, therefore the responsibilities indicated in Sections 19(a) to 19(e) of the Public Finance Management (Baringo County Executive Members Mortgage Scheme Fund) Regulations, 2018 were not performed.

Under the circumstances, the Fund Management is breach of the regulations.

9. Non-Remittance of Fringe Benefit Tax

The statement of financial position reflects long term receivables from exchange transactions of Kshs.59,596,453 (2019 – Kshs.46,219,223) as disclosed under Note 4 to the financial statements. This balance relates to low interest loans granted to employees at the rate of 3%. However, during the year under review, there was no evidence that the management had deducted and remitted fringe benefit tax to Kenya Revenue Authority contrary to the provisions of Section 12B of the Income Tax Act.

To this extent, the Fund is in breach of the law and is likely to attract avoidable penalties and interest.

10. Lack of Fire and Risk Management Policy

The Fund does not have a fire and risk management strategy contrary to section 158(1) (a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the accounting officer to develop risk management strategies, which include fraud prevention mechanism and internal controls that builds robust business operations.

Under the circumstances, risk management, development of strategies and controls may not have been implemented in an orderly manner.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Responsibilities of Management and the Board of Trustees

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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The board of trustees is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Fund monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution.

However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of the Baringo County Executive 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

04 February, 2022

**Baringo County Executive Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June 2020**

12. FINANCIAL STATEMENTS

**11.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30TH JUNE 2020**

	Note	2019/2020	2018/2019
		KShs	KShs
Revenue from exchange transactions			
Interest income	1	602,341.00	631,666.00
Total revenue		602,341.00	631,666.00
Expenses			
Bank Charges	2	3,195.00	1,900.00
Administrative Expenses		164,000.00	0
Total expenses		167,195.00	1,900.00
Surplus for the period		435,146.00	629,766.00


The notes set out on pages 28 to 30 form an integral part of these Financial Statements

**Baringo County Executive Members' Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June 2020**

11.2.STATEMENT OF FINANCIAL POSITIONAS AT 30 JUNE 2020

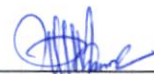
	Note	2019/2020 KShs	2018/2019 KShs
Assets			
Current assets			
Cash and cash equivalents	3	1,812,404.00	2,754,488.00
Current portion of long term receivables from exchange transactions	4	0.00	0.00
		1,812,404.00	2,754,488.00
Non-current assets			
Long term receivables from exchange transactions	4	59,596,453.00	46,219,223.00
Total assets		61,408,857.00	48,973,711.00
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	5	0.00	0.00
Total liabilities		0.00	0.00
Net assets		61,408,857.00	48,973,711.00
Equity			
Revolving Fund		59,500,000.00	47,500,000.00
Accumulated surplus		1,473,711.00	1,473,711.00
Total Equity		61,973,711.00	48,973,711.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 18/1/2021 2020 and signed by:



Administrator of the Fund
Name: John Kisang

ICPAK



Fund Accountant
Name: CPA David Rerimoi
Member

Number: 6624

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11.3.STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2018	43,343,946.00			43,574,219.00
Surplus/(deficit) for the period	629,766.00		843,946.00	1,473,712.00
Funds received during the year	5,000,000.00			5,000,000.00
Balance as at 30 June 2018	48,973,712.00		843,946.00	50,047,931.00
Balance as at 1 July 2019	48,973,712.00		0.00	50,047,931.00
Surplus/(deficit) for the period	599,146.00		1,473,712.00	2,072,858.00
Funds received during the year	12,000,000.00			12,000,000.00
Excess (erroneous) Loan Repayment	0.00			0.00
Balance as at 30 June 2020	61,572,858.00		1,473,712.00	64,120,789.00

11.4.STATEMENT OF CASHFLOWSFOR THE YEAR ENDED 30 JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
Cashflowsfromoperatingactivities			
Receipts			
Interest received		602,341.00	631,666.00
Total Receipts		602,341.00	631,666.00
Payments			
Bank Charges		3,195.00	1,900.00
Administrative Expenses		164,000.00	0.00
Total Payments		164,195.00	1,900.00
Netcashflowsfrom operatingactivities		435,146.00	629,766.00
Cash flows from investing activities			
Loans prepayments from members		0.00	0.00
Proceeds from loan principal repayments	6	5,122,770.00	3,250,668.00
Loan disbursements paid out		(18,500,000.00)	(10,500,000.00)
))
Netcashflows from investingactivities		(13,377,230.00)	(7,249,332.00)
))
Cashflowsfromfinancingactivities			
Exchequer receipts		12,000,000.00	5,000,000.00
Car Loan & Mortgage Insurance	7	0.00	0.00
Netcashflows from financingactivities		(747,464.00)	(1,619,566.00)
Net increase/(decrease)incashandcash equivalents			

Cash and cash equivalents at 1 July 2020	3	2,754,448.00	4,374,055.00
Cash and cash equivalents at 30 June 2020	3	1,812,404.00	2,754,448.00

11.5.STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30JUNE 2020

	Originalbudget	Adjustments	Finalbudget	Actualoncomparable basis	Performance difference	% utilization
	2019/2020	2019/2020	2019/2020	2019/2020	2019/2020	2019/2020
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Interest income	500,000	102,341	602,341	631,666	(29,325)	0%
Transfer from County Government	12,000,000	-	12,000,000	5,000,000	7,000,000	42%
Bank balance	1,812,404	-	1,812,404	2,754,488	(942,084)	0%
Totalincome	14,312,404	102,341	14,414,745	8,386,154	(6,028,591)	42%
Expenses						
Bank Charges	2,500	695	3,195	1,900	1,295	59%
Administrative cost	150,000	14,000	164,000	0	164,000	0%
Disbursements	18,000,000	500,000	18,500,000	10,500,000	8,000,000	57%
Totalexpenditure	18,152,500	514,695	18,667,195	10,501,900	8,165,295	58%
Surplusfortheperiod	(3,840,096)	(412,354)	(4,252,450)	(2,115,746)	(14,193,886)	%

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11.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2016

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2016 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2016

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;

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Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

c) Early adoption of standards

The Baringo County Executive Mortgage Scheme Fund did not early – adopt any new or amended standards in year 2016.

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government Baringo County Executive Mortgage Scheme Fund are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii) Revenue from exchange transactions

Interest income

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Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

4. Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. Baringo County Executive Mortgage Scheme Fund determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

Baringo County Executive Mortgage Scheme Fund assesses at each reporting date whether there is objective evidence that a financial asset or entity of financial assets is impaired. A financial asset of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cashflows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization

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- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

5. Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

Baringo County Executive Mortgage Scheme Fund does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

Baringo County Executive Mortgage Scheme Fund does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to

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ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

6. Changes in accounting policies and estimates

Baringo County Executive Mortgage Scheme Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

7. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

8. Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

9. Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

10. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

11. Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

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12. Events after the reporting period

There were no material adjusting and non-adjusting events after the reporting period.

13. Ultimate and Holding Entity

The entity is a County Public Fund established by the Baringo County Executive Members Mortgage Scheme Fund Regulations 2015 under County Executive of Baringo. Its ultimate parent is the County Executive of Baringo.

14. Currency

The financial statements are presented in Kenya Shillings (KShs).

15. Significant judgments and sources of estimation uncertainty

The preparation of Baringo County Executive Mortgage Scheme Fund financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made: e.g

Estimates and assumptions – The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

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16. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Fund's financial risk management objectives and policies are detailed below:

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2020				
Receivables from exchange transactions	0.00	0.00	0.00	0.00
Bank balances	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00
At 30 June 2020				
Receivables from exchange transactions	0.00	0.00	0.00	0.00
Bank balances	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2020				
Trade payables(Refundable deposits)	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00
At 30 June 2019				
Trade payables (Refundable deposits)	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

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i. Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

d) Capital risk management

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2020	2019
	KShs	KShs
Revolving fund	59,500,000.00	47,500,000.00
Accumulated surplus	2,072,858.00	1,473,712.00
Total funds	61,572,858.00	48,973,712.00
Total borrowings	70,800,000.00	52,300,000.00
Less: cash and bank balances	(1,812,404.00)	(2,754,488.00)
Net debt/(excess cash and cash equivalents)	((1,812,404.00)	(2,754,488.00)
Gearing	-	-

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11.7. NOTES TO THE FINANCIAL STATEMENTS

1. Interest Income on Loans

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Interest income from loans(mortgage)- Cash Received	602,341.00	631,666.00
Interest income from loans(mortgage)- Receivable	0.00	0.00
Total	602,341.00	631,666.00

Interest is charged on mortgage at 3% p.a. on a reducing balance basis.

2. Bank Charges

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Bank Charges	3,195.00	2,825.00
Administrative Cost	164,000.00	0.00
Total	167,195.00	2,825.00

3. Cash and cash equivalents

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Current account	1,812,404.00	2,754,488.00
Total cashandcash equivalents	1,812,404.00	2,754,488.00

Detailed analysis of the cash and cash equivalents are as follows:

Financial institution	Account number	FY2019/2020	FY2018/2019
		KShs	KShs
a) Current account			
Kenya Commercial bank	1179329708	1,812,404.00	2,754,488.00
Total		1,812,404.00	2,754,488.00

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4. Receivables from exchange transactions

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Current Receivables		
Interest receivable	0.00	0.00
Current loan repayments due	0.00	0.00
Total Current receivables	0.00	0.00
Non Current receivables		
Long term loan repayments due	59,596,453.00	46,219,223.00
Total Non -current receivables	59,596,453.00	46,219,223.00
Totalreceivables from exchange transactions	59,596,453.00	46,219,223.00

5. Trade and other payables from exchange transactions

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Refundable deposits(prepayments)-Cash received	0.00	-
Refundable deposits(prepayments)-accruals	0.00	-
Totaltradeandotherpayables	0.00	-

6. Proceeds from Principal Loan Repayments

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Principal Loan Repayments-Cash	5,122,770.00	3,250,668.00
Total	5,122,770.00	3,250,668.00

This refers to the part of the total loan (principal & interest) repaid exclusive of interest i.e. the principal loan repayments for which the cash had been received as at 30 June 2020.

7. Mortgage Insurance

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Mortgage Insurance premium	0.00	0.00
Total	0.00	0.00

This refers to the life insurance premium paid to Insurance Company to cover the Loans advanced to the Members against death and disability.

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12. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
N/A	N/A	N/A	N/A	N/A	N/A

The County has not received the any audit certificate from the office of the auditor general and therefore it is not possible to make any follow up since no issue has been raised officially so far.