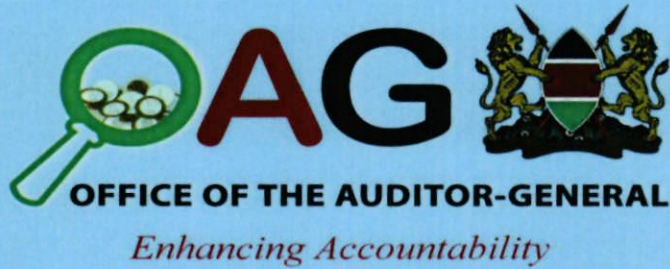


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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KERICHO COUNTY EXECUTIVE STAFF  
CAR LOAN SCHEME FUND**

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

	PAPERS LAID
DATE	02/03/2022
TABLED BY	SML
COMMITTEE	-
CLERK AT THE TABLE	DANIEL

11



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**KERICHO COUNTY EXECUTIVE STAFF MORTGAGE SCHEME FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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



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

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## **1. KEY ENTITY INFORMATION AND MANAGEMENT**

As set out in Section 166 of the Public Finance Management Act, 2012, an Accounting Officer is required to prepare Financial Statement for County Government entity as follows.

(1) An accounting officer for a county government entity shall prepare a report for each quarter of the financial year in respect of the entity.

(2) In preparing a quarterly report for a county government entity, the accounting officer shall ensure that the report;

(a) Contains information on the financial and non-financial performance of the entity; and

(b) Is in a form determined by the Accounting Standards Board.

(3) Not later than fifteen days after the end of each quarter, the accounting officer shall submit the quarterly report to the County Treasury.

### **Principal Activities**

The principal activity/mission/ mandate of the Fund is to finance Mortgage loans.

#### **a) Key Management**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Hon Dr Patrick Mutai	CECM Finance and Economic Planning
2	Leah J Chumba	CO Public Works Roads & Transport
3	George Kirer	CO Finance and Economic Planning
4	Joel Bett	County Secretary
5	Charles Kirui	Chief of Staff
6	Sylvia Inziani	County Physical Planner
7	Leonard Ngetich	Head of Payroll

**b) Registered Offices**

P.O. Box 112 - 20200  
County Headquarters Building  
Kericho- Nakuru Highway  
Kericho, KENYA

**c) Fund Contacts**

Telephone : (254) 052-21100  
E-mail: info@kericho.go.ke  
Website: www.kericho.go.ke

**d) Fund Bankers**

1. Kenya Comm Bank Ltd  
Acct No 1216449678  
Kericho Branch







**g) Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O.Box 30084  
GOP 00100  
Nairobi, Kenya

**h) Principal Legal Adviser**

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

**2. MANAGEMENT TEAM**

Posts		Details of qualifications and experience
		CECM Finance and Economic Planning
		CO Public Works Roads & Transport
		CO Finance and Economic Planning
		County Secretary
		Chief of Staff
		County Physical Planner

### **3. REPORT OF THE FUND ADMINISTRATOR**

This is the County Government of Kericho Financial Report for the Financial Year 2019-2020 ending 30<sup>th</sup> Jun, 2020 for the Staff Mortgage Fund. This report was prepared and presented as required by Section 168 of the *Public Financial Management (PFM) Act 2012*. The report expounds on the expenditure incurred by the county government in Staff Mortgage provision.

The guiding regulations are the Kericho County Executive Staff Mortgage regulations of 2015 in line with the Salary and Remunerations Commission. The Fund Administrator is the Chief Officer Economic Planning and its primary purpose is to advance loans to staff for purchase of houses. The key challenges were noted during the period included improper sale agreements between the seller and the buyer and this can be improved by proper provision of guidelines on how the fund is to be administered.



Leah J Chumba

**Chief Officer**



#### **4. 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 County Public Fund established by *Kericho County Acts, 2014* 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 County Public 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 June 30, 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 County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using 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 PFM Act, 2012 and *Kericho County Acts, 2014 of 21<sup>st</sup> Nov 2014*. 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 June 30, 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 County Public 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 on 30<sup>th</sup> June 2020 and signed on its behalf by:



\_\_\_\_\_  
**Administrator of the County Public 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 KERICHO COUNTY EXECUTIVE STAFF CAR LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2020**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Adverse Opinion**

I have audited the accompanying financial statements of Kericho County Executive Staff Car Loan Scheme Fund set out on pages 8 to 20, 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 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Kericho County Executive Car Loan Scheme Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Kericho County Executive Staff Car Loan Scheme Fund Regulations, 2016 and the Public Finance Management Act, 2012.

#### **Basis for Adverse Opinion**

##### **1.0 Inaccuracies in the Financial Statements**

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

- 1.1.** The statement of comparison of budget and actual amounts reflects transfers from the County Government and general expenses balances of Kshs.130,000,000 and Kshs.138,730,649 respectively while the statement of financial performance and the statement of cash flows reflects nil balances.
- 1.2.** The statement of changes in nets assets a nil revolving fund balance while a review of documents provided revealed that funds were transferred and issued towards staff car loan.

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

## **2.0 Failure to Disclose Outstanding Loans**

The statement of financial position as at 30 June, 2020 reflects nil balance on current portion of long – term receivables from exchange transactions and long term receivables from exchange transactions. However, an analysis of the IPPD payroll records indicated that a total of Kshs.12,208,916 issued as loans was outstanding as at 30 June, 2020 which was not disclosed in the financial statement.

Consequently, the accuracy of the nil balance of current portion of long-term receivables from exchange transactions and long-term receivables from exchange transactions for the year ended 30 June, 2020 could not be confirmed.

## **3.0 Interest on Loans**

The statement of cash flows reflects nil loan disbursements paid out while a review of the staff car loan cash book and bank statement indicated that Kshs.17,760,722 was disbursed to staff in respect of loans as at 30 June, 2020. Further, computation of 3% per year of accrued interest revealed that an amount of Kshs.912,339 in respect of interest income receivable was not disclosed in the statement of financial performance and financial position as a receivable.

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2020 could not be ascertained.

## **4.0 Loan Recoveries Not Disclosed**

The statement of cash flows reflects a nil balance for proceeds from loan principal repayments while a review of the payroll indicated that a total of Kshs.2,753,723 was recovered from employees during the year in respect of staff car loan. In addition, the same was not remitted to the staff car loan bank account contrary to Section 15(3) of the staff car loan fund regulations which states that all monies of the Fund shall be paid into an account by the officer administering the car loan. Further, no collateral such as title deed or log book was provided for a beneficiary who was granted Kshs.2,300,000 but was later interdicted.

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2020 could not be confirmed and in addition, the Fund Management was in breach of the Law.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kericho County Executive Staff Car Loan 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 adverse 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.

## **Other Matter**

### **1.0 Budgetary Control and Performance**

The statement comparison of budget and actual amounts reflects actual receipts and expenditure of Kshs.150,781,757 and expenditure of Kshs.130,000,000 respectively resulting to an underfunding of Kshs.20,781,757 or 14% of the budget. Further, the Fund expended Kshs.138,730,649 against no budget. This is contrary to Section 149(2)(h) of the Public Finance Management Act, 2012 that requires the Accounting Officer to prepare estimates of the expenditure of the entity in conformity with strategic plan and Section 149(2)(i) which requires the Accounting Officer to submit the estimates of an entity which is not a county corporation to County Executive Committee Member for Finance.

Under the circumstances, the Fund Management is in breach of the law

### **2.0 Unresolved Prior Year Audit Matters**

There were issues raised in the audit report for 2018/2019 financial year of which no report or recommendations from the Fund Management and oversight bodies were submitted for audit verification and clearance. Further, the issues remain unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require Accounting Officers designated for county government entities to try to resolve any issues resulting from an audit that remain outstanding.

Consequently, the Fund Management is in breach of the law.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matter discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Presentation of the Financial Statements**

The financial statements prepared and presented for audit contained the following anomalies: -

- i. The following statements and reports were omitted from the financial statements:
  - The Board of Trustees/Fund Administration Committee
  - Statement of performance against county entity's predetermined objectives
  - The Board/Fund Administration Committee Chairpersons Report
  - Corporate governance statement
  - Corporate social responsibility statement/sustainability reporting
  - Management discussion and analysis
  
- ii. The numbering of the notes in the financial statements is inconsistent with the Notes to the financial statements.

Consequently, the annual report and the financial statements for the year ended 30 June, 2020 are not in the format prescribed by the Public Sector Accounting Standard Board (PSASB).

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 effective processes and systems of internal control, risk management and 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Funds' 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 abolish 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 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**

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 overall 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 judgment 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 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 Fund to cease to continue to sustain 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 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 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

11 February, 2022



**6. FINANCIAL STATEMENTS**

**6.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED  
30<sup>th</sup> JUNE 2020**

	Note	2019/2020	2018/2019
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations			
Transfers from the County Government			
Fines, penalties and other levies			
<b>Revenue from exchange transactions</b>			
Interest income	1	4,405,675	2,716,425
Other income			
<b>Total revenue</b>		<b>4,405,675</b>	<b>2,716,425</b>
<b>Expenses</b>			
Fund administration expenses			
General expenses	2	262,172	206,991
Finance costs			
<b>Total expenses</b>		<b>262,172</b>	<b>206,991</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets			
<b>Surplus/( deficit) for the period</b>		<b>4,143,503</b>	<b>2,509,434</b>


The notes set out on pages 16 to 19 form an integral part of these Financial Statements


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

**6.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	Note	2019/2020 KShs	2018/2019 KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	17,790,212	48,650,667
Current portion of long- term receivables from exchange transactions			
Prepayments			
Inventories			
<b>Non-current assets</b>			
Property, Plant and Equipment			
Intangible assets			
Long term receivables from exchange transactions	4	133,645,726	94,751,180
<b>Total assets</b>		<b>151,435,939</b>	<b>142,801,870</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions			
Provisions			
Current portion of borrowings			
Employee benefit obligations			
<b>Non-current liabilities</b>			
Non-current employee benefit obligation			
Long term portion of borrowings			
<b>Total liabilities</b>			
<b>Net assets</b>			
Revolving Fund		147,292,436	140,292,436
Reserves			
Accumulated surplus		4,143,503	2,509,434
<b>Total net assets and liabilities</b>		<b>151,435,939</b>	<b>142,801,870</b>

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 30th Sep 2020 and signed by:

  
 Leah J Chumba  
 Fund Administrator

  
 CPA Fernandes K Korir  
 Chief Accountant  
 ICPAK MNo 13966

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

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

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

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
<b>Balance as at 1 July 2018</b>	45,541,255.95		(2,200)	
Surplus/(deficit) for the period			2,509,434.00	
Funds received during the year	94,751,180.00			
Revaluation gain				
<b>Balance as at 30 June 2019</b>	<b>140,292,435.95</b>		<b>2,507,234.00</b>	
<b>Balance as at 1 July 2019</b>	<b>140,292,435.95</b>		<b>2,507,234.00</b>	
Surplus/(deficit)for the period			4,143,503.00	
Funds received during the year	7,000,000.00			
Revaluation gain				
<b>Balance as at 30 June 2020</b>	<b>147,292,435.95</b>		<b>6,650,737.00</b>	

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

**6.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2019/2020	2018/2019
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations			
Transfers from the County Government			
Interest received		4,405,675	2,716,425
Receipts from other operating activities			
<b>Total Receipts</b>		<b>4,405,675</b>	<b>2,716,425</b>
<b>Payments</b>			
Fund administration expenses			
General expenses		262,172	206,991
Finance cost			
<b>Total Payments</b>		<b>262,172</b>	<b>206,991</b>
<b>Net cash flows from operating activities</b>		<b>4,143,503</b>	<b>2,509,434</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets			
Proceeds from sale of property, plant and equipment			
Proceeds from loan principal repayments		11,996,032	7,650,997
Loan disbursements paid out		(47,000,000)	(80,500,000)
<b>Net cash flows used in investing activities</b>		<b>(35,003,963)</b>	<b>(72,849,003)</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts			26,251,180
Additional borrowings			
Repayment of borrowings			
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>26,251,180</b>
<b>Net increase/(decrease) in cash and cash equiv</b>		<b>(30,860,465)</b>	<b>(44,088,389)</b>
Cash and cash equivalents at 1 JULY	3	48,650,677	92,739,056
<b>Cash and cash equivalents as at 30 JUNE</b>	<b>3</b>	<b>17,790,212</b>	<b>48,650,667</b>

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

**6.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2020**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	2020	2020	2020	2020	2020	2020
<b>Revenue</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	
Public contributions and donations						
Transfers from County Govt.						
Interest income	4,405,675		4,405,675	4,405,675	-	100%
Other income						
<b>Total income</b>	<b>4,405,675</b>		<b>4,405,675</b>	<b>4,405,675</b>	<b>-</b>	<b>100%</b>
<b>Expenses</b>						
Fund administration expenses						
General expenses	262,172		262,172	262,172	-	100%
Finance cost						
<b>Total expenditure</b>	<b>262,172</b>		<b>262,172</b>	<b>262,172</b>	<b>-</b>	<b>100%</b>
<b>Surplus for the period</b>	<b>4,143,503</b>		<b>4,143,503</b>	<b>4,143,503</b>	<b>-</b>	<b>100%</b>

## **6.6. 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. Early adoption of Standards**

The entity did not early adopt any new or amended Standard in the year 2019.

### **3. Revenue recognition**

#### **i) Revenue from non-exchange transactions**

##### **Transfers from other government entities**

Revenues from non-exchange transactions with other government entities 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.

### **4. Budget information**

The original budget for FY 2019/2020 was approved by the County Assembly on June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of Kericho County Emergency Fund on the FY 2019/2020 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of financial performance has been presented under Section 7.5 of these financial statements.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the Equity Bank of Kenya at the end of the financial year.

**6. Comparative figures**

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

**7. Events after the reporting period**

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

**8. Ultimate and Holding Entity**

9. The guiding regulations are the Kericho County Executive Mortgage Regulations of 2015 in line with the Salary and Remunerations Commission.

**10. Currency**

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

**NOTES TO THE FINANCIAL STATEMENTS**

**1. Interest Income**

Description	2019/2020	2018/2019
	Kshs	Kshs
Interest Income	4,405,675	2,716,425
<b>Total</b>		

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6.7.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. General expenses**

Description	2019/2020 KShs	2018/2019 KShs
Consumables		
Electricity and water expenses	0	0
Fuel and oil costs	0	0
Insurance costs	0	0
Postage	0	0
Printing and stationery	0	0
Rental costs	0	0
Security costs	0	0
Telecommunication	0	0
Bank Charges	8,172	19,991
Hospitality/Comm Allow	254,000	187,000
Depreciation and amortization costs	0	0
Other expenses	0	
<b>Total</b>	<b>262,172</b>	<b>206,991</b>

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*Kericho County Executive Staff Mortgage Scheme Fund*  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. Cash and cash equivalents**

Description	2019/2020	2018/2019
	Kshs	Kshs
Car loan account	0	0
County mortgage account	0	0
Fixed deposits account	0	0
On – call deposits	0	0
Current account	17,790,212	48,650,667
Others	0	0
<b>Total cash and cash equivalents</b>	<b>17,790,212</b>	<b>48,650,667</b>



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

Financial institution	Account number	2019/2020	2018/2019
		Kshs	Kshs
<b>a) Fixed deposits account</b>			
Kenya Commercial bank			
Equity Bank, etc			
<b>Sub- total</b>			
<b>b) On - call deposits</b>			
Kenya Commercial bank		0	0
Equity Bank - etc		0	0
<b>Sub- total</b>		<b>0</b>	<b>0</b>
<b>c) Current account</b>			
Kenya Commercial bank	1216449678	5,430,776	29,299,231
SBM 1	0472328991001	109,686	19,351,436
SBM 2	0473328991003	12,249,750	
<b>Sub- total</b>		<b>17,790,212</b>	<b>48,650,667</b>
<b>d) Others(specify)</b>			
Cash in transit			
Cash in hand			
MPesa			
<b>Sub- total</b>			
<b>Grand total</b>		<b>17,790,212</b>	<b>48,650,667</b>



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**7. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR’S 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)

***Guidance Notes:***

- a) Use the same reference numbers as contained in the external audit report;
- b) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- d) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to County Treasury.



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