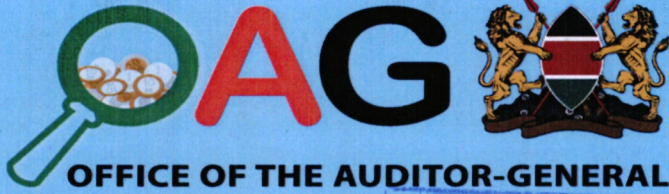


REPUBLIC OF KENYA

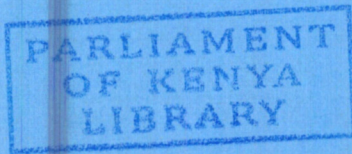


*Enhancing Accountability*

PAPERS LAID

DATE	29/03/2023
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COMMITTEE	—
CLERK AT THE TABLE	<i>[Signature]</i>

**REPORT**



**OF**

**THE AUDITOR-GENERAL**

**ON**

**BOMET COUNTY CAR LOAN AND  
MORTGAGE SCHEME FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2022**





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**BOMET COUNTY CAR LOAN AND MORTGAGE SCHEME FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
30 JUNE, 2022**

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



**Bomet County Government Car Loan & Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**Bomet County Government Car Loan & Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

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**Bomet County Government Car Loan & Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

The purpose of the fund is to provide loans for the purchase of vehicles by members of the scheme.

Bomet County Government Car Loan and Mortgage Fund is established by and derives its authority and accountability from Section 116 of Public Finance Management Act, 2012. The Fund is wholly owned by the County Government of Bomet County Government and is domiciled in Kenya.

The Fund was operationalized under the Public Finance Bomet County (State and Public Officers) Car Loan and Mortgage Scheme Fund Regulations, 2018. The Fund began advancing car loans and mortgage to members of the County Executive in July 2018.

The fund's objective is to provide financial assistance to provide loan scheme for the purchase of vehicles, purchase and/or development or renovation or repair of property by members of the scheme. The Fund's principal activity is to disburse loans to members.

**b) Principal Activities**

The principal activity/mandate of the Fund is to provide car loans and mortgage to members (State and Public Officers).

**c) Fund Administration Committee**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Bernard Cheruiyot	Chairperson
2	John Mark Langat	V. Chairperson
3	Simon Sang	Member
4	Joseph Kebeney	Member
5	Peter Bii	Member
6	Charles Koech	Fund Administrator



**Bomet County Government Car Loan & Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**d) Key Management**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Bernard Cheruiyot	Chairperson
2	John Mark Langat	V. Chairperson
3	Simon Sang	Member
4	Joseph Kebeney	Member
5	Peter Bii	Member
6	Charles Koech	Fund Administrator

**e) Registered Offices/ Fund Headquarters**

P.O. Box 19 – 20400  
Bomet, Kenya  
Off Narok Sotik Highway

**f) Fund Contacts**

Telephone: (+254) 0202084070  
E-mail: [clmf@bomet.go.ke](mailto:clmf@bomet.go.ke)  
Website: [www.bomet.go.ke](http://www.bomet.go.ke)

**g) Fund Bankers**

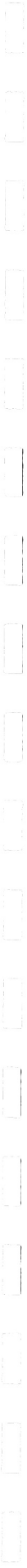
Equity Bank-Bomet Branch  
A/C No:1220277299764

**h) Independent Auditors**

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

**i) Principal Legal Advisor**

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



**Bomet County Government Car Loan & Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**2. THE FUND ADMINISTRATION AND MANAGEMENT TEAM**

During the Financial Year Ending 30<sup>th</sup> June, 2022, the fund was administered by the following committee members:

Name	Details of qualifications and experience
 <p>CPA Bernard Cheruiyot</p>	<p>Mr. Cheruiyot is 39 years old and currently the Chief Officer, Finance. <b>He has master's in Business Administration and CPA(K) Holder.</b> He has over 10 years working experience most of which in different capacities. He is the chairperson of the fund</p>
 <p>Mr. John Mark Langat</p>	<p>Mr. Langat is the County Attorney and is 49 years old. <b>He holds Bachelor's Degree in Law (LLB)</b> from Nairobi University and Diploma in Law from Kenya School of Law (KSL). He was admitted as Advocate for High Court in 1998 and <b>He has over 20 years litigation experience.</b> He is the vice chairperson of the fund.</p>
 <p>Mr. Simon Sang</p>	<p>Mr. Sang is 40 years old and is the Director Human Resource Management at the County. He has <b>Bachelors and Higher Diploma in HRM with over 13 years working experience.</b> He is a Member of IHRM with practicing certificate. He serves as a member of the fund</p>
 <p>Mr. Joseph Kebeney</p>	<p>Mr. Kebeney was born in 1967 and is serving as the Chief Officer Environment at the County. He has <b>over 20 years working experience.</b> He holds <b>Master's Degree in Education, Bachelor of Education.</b> He serves as a member of the fund</p>
 <p>Mr. Peter Bii</p>	<p>Mr. Bii was born in 1983 and is the Chief Executive Officer (CEO) County Public Service Board. He has MBA, BA (Economics and Literature) and CPS (K). He has over 13 years working experience. He is also a member of IHRM and ICS-K. He serves as a member of the fund</p>
 <p>Mr. Charles Cheruiyot Koech</p>	<p>Mr. Koech is 40 years old and is the Director ICT at the County. He has <b>Masters in IT, Bachelor's Degree in Computer Science, Post Graduate Diploma in Project Management and Senior Management Course (SMC).</b> Koech has over 15 years working experience. He is the fund administrator and secretary to the fund.</p>



### **3. FUND CHAIRPERSON'S REPORT**

It is my pleasure to present to you the Annual Report and Financial Statements for the year ended 30<sup>th</sup> June, 2022 on behalf of the Bomet County Car Loan and Mortgage Scheme Management Committee

#### **Changes in the Fund Management during the year**

There were no changes in the Fund Management membership during the Financial Year under review.

#### **Fund Performance**

The Fund had cash and cash equivalents of Ksh. 7,495,012 from the FY 2020/21. No funds was received from the exchequer during the financial year under review. During the year, Ksh. 10,700,000 and Ksh. 16,000,000 were disbursed as Car Loan and Mortgage respectively.

#### **Strategy and Future outlook of the Fund**

The disbursement of funds during the year benefited both the State Officers and the Public Officers including legible County Public Service Board (CPSB) members. One (1) Chief Officer, Members County Public Service Board (2), Medical Personnel (4), Deputy Director Human Resource and Accountant benefited from the scheme in fund's spirit of attracting, motivating and retaining qualified civil servants in the public sector. The Fund will continue disbursing loans to both State Officers and the Public Officers in future. It is hoped that more budget will be allocated to the Fund so as to benefit more staff as the facility has started attracting lots of interests from public officers.

#### **Conclusion**

The committee administering the fund is fully committed to maximizing stakeholders' value and assisting the County in fulfilment of Section 12 (7) of the County Governments Act 2012 while fulfilling the spirit of the Salaries and Remuneration Commission of attracting, motivating and retaining qualified workforce.



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**CPA Bernard Cheruiyot**  
**Fund Chairperson**  
**County Government of Bomet Car Loan and Mortgage Scheme Fund**



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

In accordance with PFM Act (2012), Bomet County Car Loan and Mortgage Scheme Fund Regulations (2018) and SRC circular, the County Government of Bomet Car Loan and Mortgage Scheme Fund hereby presents the report for the FY 2021/22 covering the period 1<sup>st</sup> July, 2021 to 30<sup>th</sup> June, 2022.

The Car Loan and Mortgage Scheme Fund had cash and cash equivalents of Ksh. 7,495,012 with no additional disbursement from exchequer during the financial year. During the period, there was total disbursements (Both Car and Mortgage) of Ksh. 26,700,000 with principal repayments received totalling Ksh. 21,006,729 with interests of Ksh. 1,302,255. During the period, Ksh. 539,600 was incurred as committee allowances, trainings and other administrative costs paid as per SRC Circular dated 16th April, 2014 and Ministry of Devolution and Planning Circular dated 2nd August, 2013. A further Ksh. 209,814 was incurred for payment of insurance premiums. Bank charges incurred during the year was Ksh. 7,560. During the year under review, Ksh. 664,069 was provided for as provision for bad and doubtful debts.

Overall, a total of thirty-eight (38) staff have benefited leading to total disbursements to date of Ksh. 104,417,115 arising from loan disbursements in the Financial Years 2018/19, 2019/20, 2020/21 and 2021/22 amounting to Ksh. 45,153,791, Ksh. 11,300,000, Ksh. 21,263,324 and Ksh. 26,700,000 respectively.

The challenge experienced during the period was inconsistent disbursement from the National Treasury. The Fund received beneficiaries' deductions up to April 2022 and thus limiting the number of new applicants since it is a revolving fund.



**Bomet County Government Car Loan & Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**


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In the Financial Year 2021/22, the Fund had been allocated Ksh. 14,175,000 but during the Supplementary Budget, was reduced to nil and thus affecting operations of the Fund. It is however expected that more budget will be allocated to the Fund in the subsequent years given that uptake for the loan is expected to increase.

In order to minimize loan risks, the committee of the Fund undertakes due diligence prior to approval of loans. For mortgage, all title deeds are charged while for car loan, the vehicle joint registration between the loan beneficiary and the County is initiated and approved prior to release of the approved loan. However, it was noted that at times NTSA rejects some joint registration of the vehicles, a problem the County Transport Manager has taken it up to avoid future recurrence of the same. The Scheme has further taken an insurance cover for the loans and the members against any potential risk such as death or any other natural factors.

As a team, we are committed to serving public better every day while adhering to existing regulations governing management of the Fund. We are focusing on future goals including improving the welfare of our staff that will build our County to greatness.

Signed: \_\_\_\_\_

  
**Charles Koech**  
**Fund Administrator**  
**County Government of Bomet Car Loan and Mortgage Scheme Fund**



## **5. 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.

### **Strategic Development Objectives**

The County's 2018-2022 CIDP has identified 34 key strategic development objectives. Broadly, these objectives have been identified through a participatory process that reviewed the development priorities of the Governor's Manifesto, the National Government's "Big Four" and SDGs and the MTP III.

The strategic objectives are a synthesised product of the afore-mentioned planning frameworks that amalgamate the thematic focus and development aspirations in these policy frameworks.

The key objectives in Bomet County's 2018-2022 CIDP that are relevant to the Car Loan and Mortgage Scheme Fund are to:

- i. Attract, motivate and retain qualified workforce through provision of low interest car loan and mortgage
- ii. Ensure availability and sustainability of revolving car and mortgage loans

### **Progress on Attainment of Strategic Development Objectives**

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into



**Bomet County Government Car Loan & Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

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development outcomes. Performance indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

**CAR LOAN AND MORTGAGE SCHEME FUND**

<b>Fund/Scheme</b>	<b>Objectives</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
<b>Car Loan and Mortgage Scheme Fund</b>	<ul style="list-style-type: none"> <li>To Attract, motivate and retain qualified workforce through provision of low interest car loan and mortgage</li> <li>To Ensure availability and sustainability of revolving car and mortgage loans</li> </ul>	Available and sustainable loan	No. of staff benefiting from loan	In FY 21/22, nine (9) staff benefited Car and Mortgage Loans



## **6. CORPORATE GOVERNANCE STATEMENT**

The County Government of Bomet is committed to best practice and has adopted the Salaries and Remuneration Commission (SRC) guidelines and Principles in implementing the civil servants' car loans and mortgages schemes. These principles are used as a guide to best practice in dealing with these loans. The County Car Loan and Mortgage Scheme Fund wishes to report this corporate governance statement as part of its commitment to preserving stakeholder's confidence.

The County Government of Bomet passed the regulations on 13<sup>th</sup> February 2018 which guide the implementation of the SRC recommendation on state officers and civil servant's car loans and mortgages. These regulations are namely; 1) Regulations for the Operationalization of the Bomet county state and public officers' Car Loan Funds Scheme and 2) Regulations for the operationalization of the Bomet county state and public officers' Mortgage Funds Scheme.

### **Committee Composition and Roles/Functions**

Section 6 (1) of the Regulations established a loans management committee known as the Car and Mortgage Loan Management Committee. It is the only body mandated to oversee the implementation of the said schemes. Its membership consist of:-

- a) The Chief Officer responsible for Finance who is the chairperson.
- b) The Head of Human Resource Department
- c) The Head of legal services.
- d) Two members of staff appointed by the County Secretary
- e) The Fund Administrator (ex-officio) appointed by the County Executive Member for Finance

Section 6 (4) of the said regulations provides the loans management committee with mandate to consider when conducting and approving disbursements of loan applications presented by the fund administrator.

### **Oversight Role**

The County Executive and Assembly provides direction with a focus on consistent operation of the fund in an atmosphere of transparency and accountability. It retains full control and monitors implementation of the plans and strategies.

In accordance with the principle of good governance, Members of the Committee are required to act in accordance with the highest standards of honesty and



integrity as per Chapter Six of the Kenya Constitution 2010. They ensure ethical behaviour and compliance with relevant laws and regulations, audit, and accounting principles, corporate policies, procedures and code of ethics.

### **Conflict of Interest**

The committee is under legal duty to act honestly in the best interest of the institution. Any business transacted must be at arm's length and fully disclosed. They are required to promote diversity across the organisation with regards to age, gender, ethnicity and the cultural background committee members and employees. In dispensing their duties, members cannot discriminate any applicant based on the above aspects. There is an elaborate mechanism to monitor and control any conflict of interest at any level.

### **Committee Meetings and Trainings**

The meetings of the Committee are convened by the chairperson or in the absence of the chairperson; the vice-chair person or a member designated by the chairperson at such times as may be necessary for the discharge of the Committee's functions. The committee members are given appropriate and timely agenda for the meeting. During the Financial Year 2021/22, the Fund paid Ksh. 126,000 for six (6) meetings held a further Ksh. 296,100 for the committee members trainings held.

### **Existence of Service Charter**

The Fund has a service charter to ensure quality improvements that are sustainable and guided by the type of service standards our customers (internal and external) expect. It also offers a guide to all our customers on how to make complaints and suggestions on improvements in our service.

### **Succession Plan**

The Fund's Administrator and the Head of Human Resources are Public Officers and thus there is continuity when new Fund Committee will be constituted as a result of change of government which might warrant change of fund committee composition.

### **Committee Allowances/Remuneration**

Committee allowances are paid as per SRC Circular dated 16th April, 2014 and Ministry of Devolution and Planning Circular dated 2nd August, 2013



## **7. MANAGEMENT DISCUSSION AND ANALYSIS**

The fund was established by the Salaries and Remuneration Commission (SRC) Circular Ref. No. SRC/ADM/CIR/1/13 Vol. III (128) dated 17<sup>th</sup> December 2014 with aim of enabling public service attract, motivate and retain the best skills in line with the Article 230(5) of the Kenya Constitution. The same was operationalized by the County Government of Bomet in ~~the year~~ 2018 after the passing of the guiding regulations.

Though the schemes have had a positive impact to the welfare of the civil servants, the committee has faced numerous challenges during its implementation. These includes;

### **a) Overcommitted pay-slips**

The loan schemes having been introduced in the last four (4) years, some civil servants had already acquired loans from various commercial banks prior to establishment of the scheme. Therefore, those employees were left with little income which can't be committed further without violating the mandatory minimum one third rule of basic salary. This situation has hindered many of them from applying for the car loans or mortgage.

### **b) Title Deeds used as security registered in the name of applicant's parents**

The regulations direct that, all loans disbursed must be fully secured either with Title Deed or log books either registered under applicant's name or a spouse. This poses a serious legal challenge in future if consent to charge is not acquired from the other beneficiaries of the said Title Deed.

### **c) Lack of Title Deeds**

The committee appreciates the fact that some areas are yet to be adjudicated for issuance of Title Deeds. This hinders some members of staff who wish to apply for mortgage loans since they lack the necessary lien for the loan.

### **d) Delays in disbursements from National Treasury**

Delays in disbursements from the National Treasury affects the fund since monthly loan remittances are ploughed back to new applicants.



**8. ENVIROMENTAL AND SUSTAINABILITY REPORTING**

The Scheme did not undertake any CSR during the year but will consider in subsequent financial years. The Fund intends to use part of savings from administration fees to carry out CSR in future.



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**Bomet County Government Car Loan & Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

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**9. REPORT OF THE FUND ADMINISTRATION COMMITTEE**

The Fund Committee submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Fund affairs.

**Principal Activities**

The principal activity of the Fund is to provide car loans and mortgage to members (State and Public Officers) with the aim of attraction, motivation and retention of the best skills in the public service in line with the Article 230(5) of the Kenya Constitution (2010)

**Results**

The results of the Fund for the year ended June 30, 2022 are set out on page 1 to 6

**Fund Committee**

The members of the Fund Committee who served during the year are shown on page vi.

**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 Fund Committee



Date: \_\_\_\_\_

**CPA Bernard Cheruiyot**

**Fund Chairperson**

**County Government of Bomet Car Loan and Mortgage Scheme Fund**



## **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 County Public Fund established by Bomet County Car Loan & Mortgage (State and Public Officers) Scheme Fund Regulations, 2018 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, 2022. 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 Bomet County Car Loan & Mortgage (State and Public Officers) Scheme Fund Regulations, 2018. 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, 2022, 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.



**Bomet County Government Car Loan & Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**Approval of the financial statements**

The Fund's financial statements were approved by the Fund Committee on \_\_\_\_\_ 2022 and signed on its behalf by:



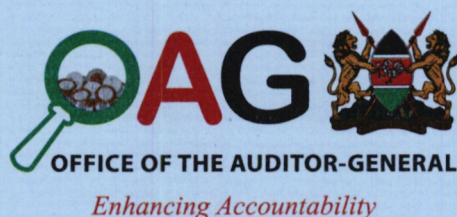
\_\_\_\_\_

Administrator of the County Public Fund  
County Government of Bomet Car Loan and Mortgage Scheme Fund



# REPUBLIC OF KENYA

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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 BOMET COUNTY CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Bomet County Car Loan and Mortgage Scheme Fund set out on pages 1 to 40, which comprise the statement of

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*Report of the Auditor-General on Bomet County Car Loan and Mortgage Scheme Fund for the year ended 30 June, 2022*

financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in Fund balances, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Bomet County Car Loan and Mortgage Scheme Fund as at 30 June, 2022 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 comply with the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **Receivables from Exchange Transactions**

Note 12 to the financial statements reflects current portion of short-term and long term receivables from exchange transactions balance of Kshs.21,845,818 and Kshs.28,172,500 respectively totaling to Kshs.50,018,317. Management, however, did not provide schedule for the loan movements during the year. It was therefore not possible to ascertain the accuracy and fair statement of the receivables from exchange transactions totaling to Kshs.50,018,317 as at 30 June, 2022.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Bomet County Executive Car and Mortgage Loan 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 qualified opinion.

### **Key Audit Matters**

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing

else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1. Failure to Prepare Separate Financial Statements for Car and Mortgage Funds**

The financial statements prepared and presented for audit relate to Bomet County Car Loan and Mortgage Scheme Fund which are essentially two separate Funds operated by the Assembly namely: - Bomet County Car Loan Scheme Fund (State and Public Officers) and Bomet County Mortgage Scheme Fund (State and Public Officers). Sections 15(1)(d) and 18(1)(d) of Bomet County Car Loan Scheme Fund (State and Public Officers) Regulations, 2018 and Bomet County Mortgage Scheme Fund (State and Public Officers) Regulations, 2018 respectively requires, the Fund Administrator to prepare separate financial statements and submit to the Auditor-General within three (3) months after the end of financial year.

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

### **2. Joint Registration of Motor Vehicles**

A review of documents revealed that car loans totaling to Kshs.10,700,000 were issued to members during the year. However, logbook for a motor vehicle valued at Kshs.2,000,000 had not been jointly registered in the name of the member and the County Government of Bomet. This is contrary to Regulation 8(2) of the Bomet County Car Loan (State and Public Officers) Scheme Regulations, 2018 which states that the log-book of a vehicle subject to a loan from the Fund shall be issued jointly between the County Government of Bomet and the member of the Scheme and shall be kept in the custody of the officer administering the Fund until the loan is repaid in full by the member of the Scheme.

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

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 comply, 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 overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

## **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud

or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of 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 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, SBS  
AUDITOR-GENERAL

Nairobi

09 March, 2023

Bomet County Government Car Loan & Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022

**12. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE, 2022**

Description	Note	2021/2022	2020/2021
		Kshs	Kshs
Revenue from Non-Exchange Transactions			
Public Contributions and Donations	1	-	-
Transfers from the County Government	2	-	-
Fines, Penalties and Other Levies	3	-	-
Revenue from Exchange Transactions			
Interest Income	4	1,151,259	1,024,967
Other Income	5	-	-
<b>Total Revenue</b>		<b>1,151,259</b>	<b>1,024,967</b>
Expenses			
Employee Costs	6	-	-
Fund Administration Costs	7	1,415,312	463,850
General Expenses	8	209,814	8,061,488
Depreciation and Amortization Expense	9	-	-
Finance Costs	10	7,560	9,600
<b>Total Expenses</b>		<b>1,632,686</b>	<b>8,534,938</b>
Other Gains/Losses			
Gain/Loss on Disposal of Assets	11	-	-
<b>Surplus/(Deficit) For the Period</b>		<b>(481,427)</b>	<b>(7,509,971)</b>

The notes set out on pages 7 to 38 form an integral part of these Financial Statements



Administrator of the Fund  
Name: Charles Koech



Fund Accountant  
Name: Erick Chepkwony  
ICPAK Member Number: 18039

Bomet County Government Car Loan & Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022

13. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2022

	Note	2021/2022	2020/2021
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	275,876	7,495,012
Current portion of short-term receivables from exchange transactions	12	21,845,818	23,291,913
	12	-	-
Prepayments	13	-	-
Inventories	14	-	-
<b>Non-current assets</b>			
Property, plant and equipment	15	-	-
Intangible assets	16	-	-
Long term receivables from exchange transactions	12	28,172,500	19,372,935
<b>Total assets</b>		<b>50,298,194</b>	<b>49,903,909</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	17	211,643	339,174
Provisions – Doubtful debts	18	664,069	-
Current portion of borrowings	19	-	-
Employee benefit obligations	20	-	-
<b>Non-current liabilities</b>		-	-
Non-current employee benefit obligation	20	-	-
Long term portion of borrowings	19	-	-
<b>Total liabilities</b>		<b>875,712</b>	<b>339,174</b>
<b>Net assets</b>		<b>49,422,482</b>	<b>49,564,735</b>
Revolving Fund		49,903,909	57,413,880
Reserves		-	-
Accumulated surplus		(481,427)	(7,509,971)
<b>Total net assets and liabilities</b>		<b>49,422,482</b>	<b>49,903,909</b>

**Bomet County Government Car Loan & Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

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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 \_\_\_\_\_ 2022 and signed by:



Administrator of the Fund  
Name: Charles Koech



Fund Accountant  
Name: Erick Chepkwony

ICPAK Member Number: 18039



**Bomet County Government Car Loan & Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**14. STATEMENT OF CHANGES IN FUND BALANCES AS AT 30 JUNE, 2022**

	<b>Revolving Fund</b>	<b>Revaluation Reserve</b>	<b>Accumulated surplus</b>	<b>Total</b>
		<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>Balance as at 1<sup>st</sup> July 2020</b>	<b>57,413,880</b>		<b>(825,082)</b>	<b>56,588,799.40</b>
Surplus/(deficit) for the period			<b>(7,509,971)</b>	<b>(7,509,971)</b>
Funds received during the year				
Revaluation gain			-	-
<b>Balance as at 30<sup>th</sup> June 2021</b>	<b>57,413,880</b>		<b>(8,335,053)</b>	<b>49,903,909</b>
<b>Balance as at 1<sup>st</sup> July 2021</b>	<b>57,413,880</b>		<b>(8,335,053)</b>	<b>49,903,909</b>
Surplus/(deficit) for the period			<b>(481,427)</b>	<b>(481,427)</b>
Funds received during the year			-	
Revaluation gain			-	-
<b>Balance as at 30<sup>th</sup> June 2022</b>	<b>57,413,880</b>		<b>(8,816,480)</b>	<b>49,422,482</b>



**Bomet County Government Car Loan & Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**15. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE, 2022**

	Note	2021/2022	2020/2021
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the County Government		0	0
Interest received		1,302,255	
Receipts from other operating activities		-	-
<b>Total Receipts</b>		<b>1,302,255</b>	<b>0</b>
<b>Payments</b>			
Fund administration expenses		1,415,312	463,850
General expenses		209,814	248,465
Finance cost		7,560	9,600
Less: Fringe Benefit Tax		(211,643)	
Less: Provision for doubtful debts		(664,069)	
<b>Total Payments</b>		<b>756,974</b>	<b>721,915</b>
<b>Net cash flows from operating activities</b>	21	<b>545,281</b>	<b>(721,915)</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		21,006,729	9,962,168
Loan disbursements paid out		(26,700,000)	(21,263,324)
<b>Net cash flows used in investing activities</b>		<b>(5,693,271)</b>	<b>(11,301,156)</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts			678,280
Additional borrowings		-	-
Repayment of Wrong Credit – County Assembly		(339,174)	-
Internal Borrowing - Finance		(1,731,972)	
<b>Net cash flows used in financing activities</b>		<b>(2,071,146)</b>	<b>678,280</b>
<b>Net increase/(decrease)in cash and cash equivalents</b>			<b>(11,344,791)</b>
Cash and cash equivalents at 1 <sup>st</sup> July 2021	11	<b>7,495,012</b>	<b>18,839,803</b>
<b>Cash and cash equivalents at 30 June, 2022</b>	11	<b>275,876</b>	<b>7,495,012</b>



**16. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE, 2022**

	Original Budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	2022	2022	2022	2022	2022	2022
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>						
Public contributions and donations	-	-	-	-	-	-
Transfers from County Govt.	14,175,000	(14,175,000)	0	0	0	0%
Interest income	1,000,000	200,000	1,200,000	1,151,259	48,741	96%
Other income	-	-	-	-	-	-
<b>Total income</b>	<b>15,175,000</b>		<b>1,200,000</b>	<b>1,151,259</b>	<b>48,741</b>	
<b>Expenses</b>						
Fund administration expenses	800,000	700,000	1,500,000	1,415,312	84,688	94%
Staff costs	0		0	0	0	-
General expenses	300,000	(50,000)	250,000	209,814	40,186	84%
Finance cost	10,000	(2,000)	8,000	7,560	440	94.5%
Disbursements	-	-	-	-	-	-
<b>Total expenditure</b>	<b>1,110,000</b>		<b>1,758,000</b>	<b>1,632,686</b>		
<b>Surplus for the period</b>				<b>(481,427)</b>		



## **17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **1. General Information**

Bomet County Government Car Loan and Mortgage Scheme Fund is established by and derives its authority and accountability from Section 116 of Public Finance Management Act, 2012. The entity is wholly owned by the Bomet County Government and is domiciled in Kenya. The Fund was operationalized under the Public Finance Bomet County (State and Public Officers) Car Loan and Mortgage Scheme Fund Regulations, 2018. The Fund began advancing car loans and mortgage to members of the County Executive in July 2018.

The fund's objective is to provide financial assistance to provide loan scheme for the purchase of vehicles, purchase and/or development or renovation or repair of property by members of the scheme. The Fund's principal activity is to disburse loans to members.

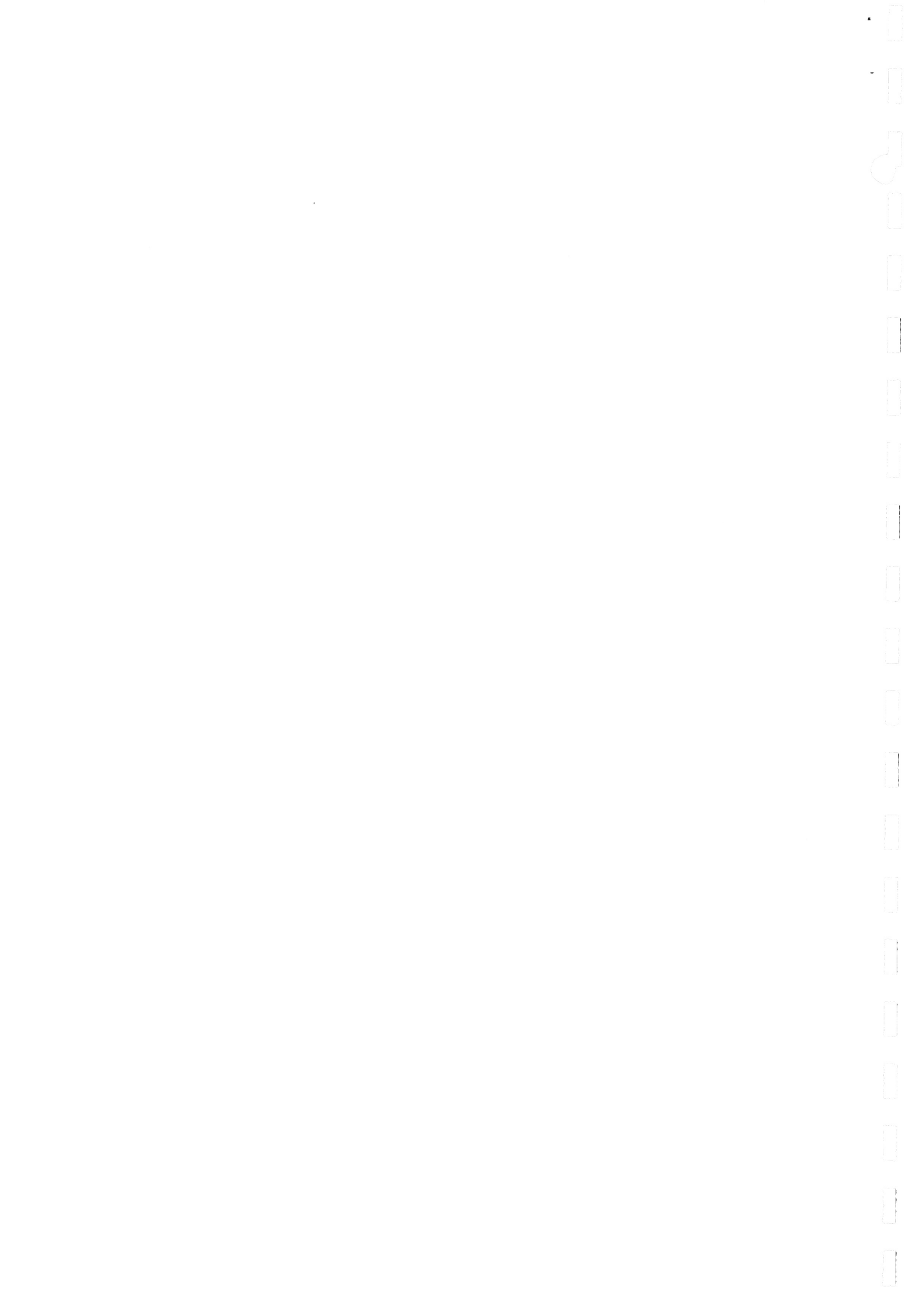
### **2. Statement of compliance and basis of preparation**

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.

### **3. Adoption of new and revised standards**

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid-19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.



a) **Relevant new standards and amendments to published standards effective for the year ended 30 June 2022**

Standard	Effective Date and Impact:
<p>IPSAS 41: Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>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 <b>uncertainty of an Entity's future cash flows.</b></p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• <b>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;</b></li> <li>• <b>Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</b></li> <li>• <b>Applying an improved hedge accounting model that broadens</b></li> </ul>

	<p>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.</p> <p><b>Impact:</b> There was no impact of the amendment to IPSAS 41 with respect to the current financial report</p>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>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:</p> <ul style="list-style-type: none"> <li>(a) The nature <del>of</del> such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> </ul> <p>© The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>

**Bomet County Government Car Loan & Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

	<p><b>Impact:</b></p> <p>There was no impact of the amendment to IPSAS 42 with respect to the current financial report</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><b>Impact:</b></p>



**Bomet County Government Car Loan & Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

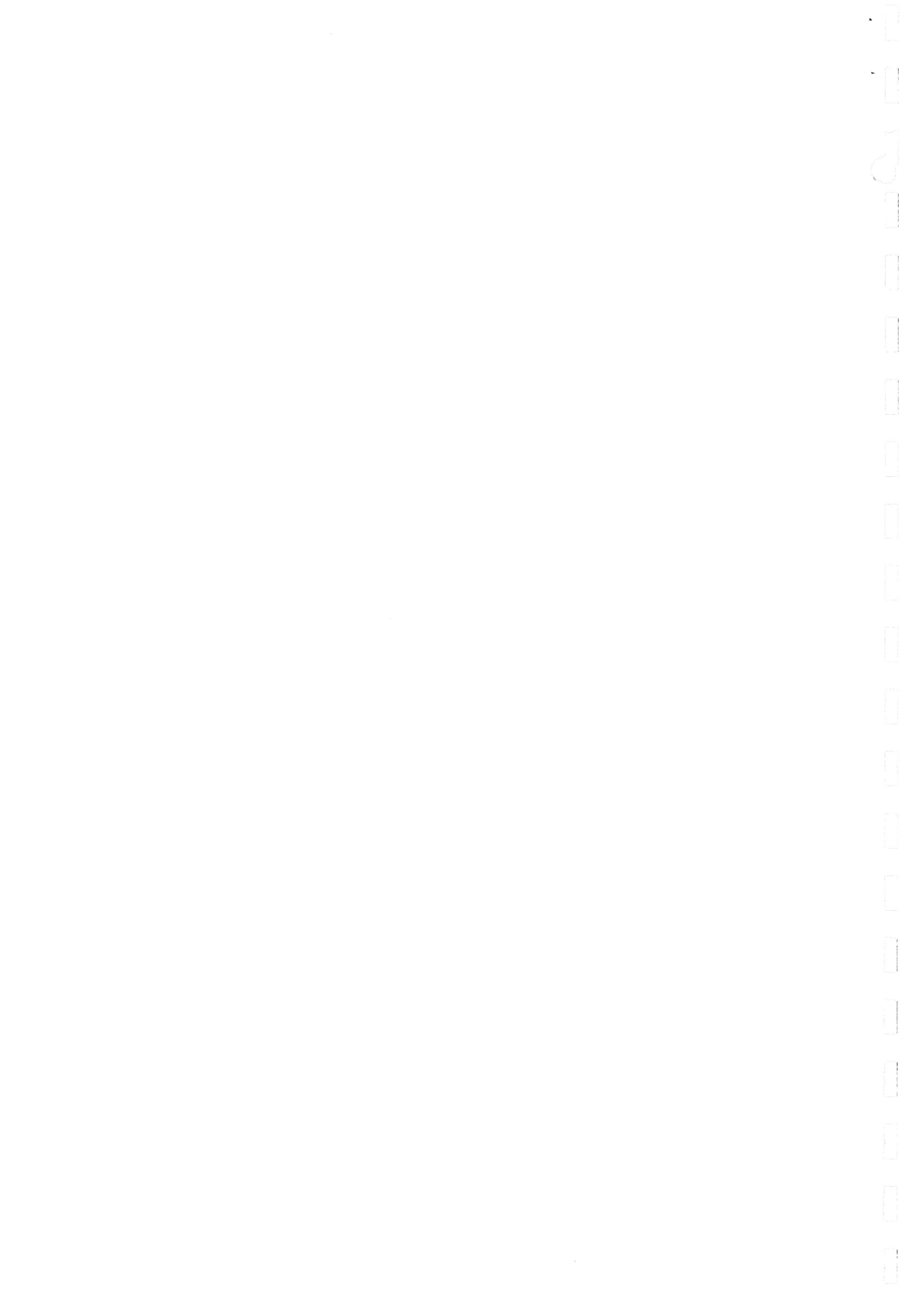
	<p>There was no impact of the Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments to IPSAS 41 with respect to the current financial report</p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p> <p><b>Impact:</b></p> <p>There was no impact of the amendment to IPSAS 22, <del>29</del> and 39 with respect to the current financial report</p>
<p>IPSAS 43</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees</p>



	<p>and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><b>Impact:</b>          There was no impact of the amendment to IPSAS 43 with respect to the current financial report</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b>          The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and <del>the</del> results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><b>Impact:</b>          There was no impact of the amendment to IPSAS 44 with respect to the current financial report</p>

**b) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2022.



## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **a. 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.

#### **ii) Revenue from exchange transactions**

##### **Interest income**

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.

### **b. Budget information**

The original budget for FY 2021/2022 was approved by the County Assembly on June 2021. 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.

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.

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 actuals as per the statement of financial performance has been presented under section xxx of these financial statements.



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

### **c. Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

### **d. Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

### **e. 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. The Entity 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.



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

### **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**

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or a entity of financial assets ~~is impaired~~. A financial asset or a entity 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 cash flows 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 a 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
- 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.

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

**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.

**f. Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.



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

**g. 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**

The Entity 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**

The Entity 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 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.

**h. Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**i. Changes in accounting policies and estimates**

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.



**j. Employee benefits – Retirement benefit plans**

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**k. 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.

**l. 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.

**m. 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.

**n. 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.

**o. Comparative figures**

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

**p. Events after the reporting period**

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

**q. Ultimate and Holding Entity**

The entity is a County Public Fund established by Public Finance Bomet County (State and Public Officers) Car Loan and Mortgage Scheme Fund Regulations, 2018. Its ultimate parent is the County Government of Bomet.

**r. Currency**

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

**4. Significant judgments and sources of estimation uncertainty**

The preparation of the Entity's 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.

- a) 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.

**b) 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

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

**18. NOTES TO THE FINANCIAL STATEMENTS**

**1. Public contributions and donations**

Description	2021/2022	2020/2021
	KShs	KShs
Donation from development partners	-	-
Contributions from the public	-	-
<b>Total</b>	-	-

**2. Transfers from County Government**

Description	2021/2022	2020/2021
	KShs	KShs
Transfers from County Govt. – operations	0	0
Payments by County on behalf of the entity	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**3. Fines, penalties and other levies**

Description	2021/2022	2020/2021
	KShs	KShs
Late payment penalties	-	-
Fines	-	-
<b>Total</b>	-	-

**4. Interest income**

Description	2021/2022	2020/2021
	KShs	KShs
Interest Income from Mortgage Loans	545,884	1,024,967
Interest Income from Car Loans	605,375	
	<b>1,151,259</b>	<b>1,024,967</b>

Interest resulting from 3% charged on loans borrowed



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**5. Other income**

Description	2021/2022	2020/2021
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income	-	-
<b>Total other income</b>	-	-

**6. Employee Costs**

Description	2021/2022	2020/2021
	KShs	KShs
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
<b>Total</b>	-	-

**7. Fund Administration Expenses**

Description	2021/2022	2020/2021
	Kshs.	Kshs.
General Office Expenses	-	-
Loan Processing Costs	-	-
Professional Services Costs	-	-
Administration Fees		
Committee Allowances	539,600	463,850
Bank Charges	-	-
Electricity and Water Expenses	-	-
Fuel and Oil Costs	-	-
Insurance Costs	-	-
Postage and Courier	-	-
Printing and Stationery	-	-



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Rental Costs	-	-
Security Costs	-	-
Telephone and Communication Expenses	-	-
Bank Charges	-	-
Audit Fees	-	-
Provision for doubtful debts (1.5% of Outstanding Loans)	664,069	-
Other – Fringe Benefit Tax	211,643	-
<b>Total</b>	<b>1,415,312</b>	<b>463,850</b>

**8. General expenses**

Description	2021/2022	2020/2021
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	209,814	180,025
Advertisement	-	68,440
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	-	7,813,023
<b>Total</b>	<b>209,814</b>	<b>8,061,488</b>

**9. Depreciation and Amortization Expense**

Description	2021/2022	2020/2021
	Kshs.	Kshs.
Property Plant and Equipment	-	-
Intangible Assets	-	-
<b>Total</b>		



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**10. Finance costs**

Description	2021/2022	2020/2021
	KShs	KShs
Interest on Bank overdrafts		
Interest on loans from banks		
Bank charges	7,560	9,600
<b>Total</b>	<b>7,560</b>	<b>9,600</b>

**11. Cash and Cash equivalents**

Description	2021/2022	2020/2021
	KShs	KShs
Fixed deposits account	-	
On – call deposits	-	
Current account	275,876	2,995,012
Others (Internal borrowing -Finance)	-	4,500,000
<b>Total cash and cash equivalents</b>	<b>275,876</b>	<b>7,495,012</b>

Detailed for cash and cash equivalents as follows:

Financial institution	Account number	2021/2022	2020/2021
		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			
Equity Bank – etc			
<b>Sub- total</b>			
<b>c) Current account</b>			
Equity Bank-Bomet – 1220277299764		275,876.62	2,995,012
<b>Sub- total</b>		<b>275,876.62</b>	<b>2,995,012</b>
<b>d) Others(specify)</b>			
Cash in transit			
Cash in hand			
Internal Borrowing – Finance			4,500,000
<b>Sub- total</b>		<b>275,876</b>	<b>4,500,000</b>
<b>Grand total</b>		<b>275,876</b>	<b>7,495,012</b>



**12. Receivables from exchange transactions**

Description	2021/2022	2020/2021
	Kshs	Kshs
<b>Current Receivables</b>		
Interest Receivable	295,544.68	346,687
Current Loan Repayments Due	16,098,795.16	17,157,627
Other Exchange Debtors – Pending Remittance	3,719,505.81	6,134,286
Internal Borrowing - Finance	1,731,972	
Less: Impairment Allowance	0	-
<b>Total Current Receivables</b>	<b>21,845,817.65</b>	<b>23,291,913</b>
<b>Non-Current Receivables</b>		
Long Term Loan Repayments Due	28,172,499.73	19,372,935.75
<b>Total Non- Current Receivables</b>	<b>28,172,499.73</b>	<b>19,372,935.75</b>
<b>Total Receivables from Exchange Transactions</b>	<b>50,018,317.38</b>	<b>42,408,897</b>



**13. Prepayments**

Description	2021/2022	2020/2021
	KShs	KShs
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
<b>Total</b>	-	-

**14. Inventories**

Description	2021/2022	2020/2021
	KShs	KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
<b>Total inventories at the lower of cost and net realizable value</b>	-	-



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

**15. Property, plant and equipment**

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
<b>At 1<sup>st</sup> July 2020</b>	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	(-)	(-)	-	-	(-)
Transfers/adjustments	-	(-)	-	(-)	(-)
<b>At 30<sup>th</sup> June 2021</b>	-	-	-	-	-
<b>At 1<sup>st</sup> July 2021</b>					
Additions	-	-	-	-	-
Disposals	(-)	-	-	-	(-)
Transfer/adjustments	(-)	-	-	(-)	(-)
<b>At 30 June, 2022</b>	-	-	-	-	-
<b>Depreciation and impairment</b>					
<b>At 1<sup>st</sup> July 2020</b>	(-)	(-)	(-)	(-)	(-)
Depreciation	(-)	(-)	(-)	(-)	(-)
Impairment	(-)	-	-	-	(-)
<b>At 30<sup>th</sup> June 2021</b>	-	-	-	-	-
<b>At 1<sup>st</sup> July 2021</b>					
Depreciation	(-)	(-)	(-)	-	(-)
Disposals	-	-	-	-	-
Impairment	(-)	(-)	-	-	(-)
Transfer/adjustment	-	(-)	(-)	-	-
<b>At 30 June, 2022</b>	-	-	-	-	-
<b>Net book values</b>					
<b>At 30<sup>th</sup> June 2021</b>	-	-	-	-	-
<b>At 30<sup>th</sup> June 2022</b>	-	-	-	-	-

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

**16. Intangible assets-software**

Description	2021/2022	2020/2021
	KShs	KShs
<b>Cost</b>		
At beginning of the year	-	-
Additions	-	-
<b>At end of the year</b>	-	-
<b>Amortization and impairment</b>		
At beginning of the year	-	-
Amortization	-	-
<b>At end of the year</b>	-	-
Impairment loss	-	-
<b>At end of the year</b>	-	-
<b>NBV</b>	-	-

**17. Trade and other payables from exchange transactions**

Description	2021/2022	2020/2021
	KShs	KShs
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables (Wrong credits)	-	339,174
Fringe Benefit Tax - KRA	211,643	
<b>Total trade and other payables</b>	<b>211,643</b>	<b>339,174</b>

**18. Provisions**

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Transfers from non-current provisions	-	-	-	-
<b>Total provisions</b>	-	-	-	-

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

**19. Borrowings**

<b>Description</b>	<b>2021/2022</b>	<b>2020/2021</b>
	<b>KShs</b>	<b>KShs</b>
<b>Balance at beginning of the period</b>	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestic borrowings during the period	-	-
<b>Balance at end of the period</b>	-	-

The table below shows the classification of borrowings into external and domestic borrowings:

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>KShs</b>	<b>KShs</b>
<b>External Borrowings</b>		
Dollar denominated loan	-	-
Sterling Pound denominated loan	-	-
Euro denominated loan	-	-
<b>Domestic Borrowings</b>	-	-
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
<b>Total balance at end of the year</b>	-	-

The table below shows the classification of borrowings long-term and current borrowings:

<b>Description</b>	<b>2021/2022</b>	<b>2020/2021</b>
	<b>KShs</b>	<b>KShs</b>
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
<b>Total</b>	-	-



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

**20. Employee benefit obligations**

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	-	-	-	-
Non-current benefit obligation	-	-	-	-
<b>Total employee benefits obligation</b>	-	-	-	-

**21. Cash generated from operations**

	2021/2022	2020/2021
	KShs	KShs
<b>Surplus for the year before tax</b>		
<b>Adjusted for:</b>		
Bad debt written off	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
<b>Working Capital adjustments</b>	-	-
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
<b>Net cash flow from operating activities</b>	-	-

**22. Related party balances**

**a) Nature of related party relationships**

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Fund Committee; etc

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

**b) Related party transactions**

	2021/2022	2020/2021
	KShs	KShs
Transfers from related parties'	-	-
Transfers to related parties	-	-

**c) Key management remuneration**

	2021/2022	2020/2021
	KShs	KShs
Fund Committee	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-

**d) Due from related parties**

	2021/2022	2020/2021
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	-	-
<b>Total</b>	-	-

**e) Due to related parties**

	2021/2022	2020/2021
	KShs	KShs
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
<b>Total</b>	-	-

**23. Contingent assets and contingent liabilities**

Contingent liabilities	2021/2022	2020/2021
	KShs	KShs
Court case against the Fund	-	-
Bank guarantees	-	-
<b>Total</b>	-	-



**Other Disclosures Continued**

**24. 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 company'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:



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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
<b>At 30 June 2022</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-
	-	-	-	-
<b>At 30 June 2021</b>	-	-	-	-
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-

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 company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from none.

**The Fund Committee 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.



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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
<b>At 30 June 2022</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2021</b>	-	-	-	-
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-

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

**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.

**i. Foreign currency risk**

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

		Other currencies	Total
	KShs	KShs	KShs
<b>As at 30 June,2022</b>			
Financial assets (investments, cash ,debtors)	-	-	-
Liabilities	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

The Fund manages foreign exchange risk form future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.



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

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
<b>2022</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2021</b>			
Euro	10%	-	-
USD	10%	-	-

**ii. 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 company'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.

**Sensitivity analysis**

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.



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

**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:

	2022		2021
	KShs		KShs
Revaluation reserve	-	-	-
Revolving fund	-	-	-
Accumulated surplus	-	-	-
<b>Total funds</b>	-	-	-
Total borrowings	-	-	-
Less: cash and bank balances	-	-	-
Net debt/(excess cash and cash equivalents)	-	-	-
<b>Gearing</b>	-	-	-



**19. 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)
NAK/BOMET EXEC CAR & MRG/2019/2020/(12)	Inaccuracies in Financial Statement - Failure to separate short-term and long-term loan receivables	The inaccuracy noted was corrected	Mr. Eric Chepkwony - Fund Accountant	Resolved/Corrected	N/A
NAK/BOMET EXEC CAR & MRG/2019/2020/(12)	Irregular Consolidation of Two Separate Funds	The County Attorney has taken up the matter and the bill consolidating the two funds should be ready once newly sworn in County Assembly Members resumes sitting.	Mr. John Mark Langat - County Attorney	In progress	December 2022



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<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
NAK/BOMET EXEC CAR & MRG/2019/2020/(12)	Irregular Disbursement of Car Loans – No joint registration of vehicles	The joint transfer and acceptance of vehicles is initiated and approved by both the owner and County prior to releasing the funds. The Fund has however had a few cases of rejection of joint ownership by NTSA of which the County Transport Department has taken it up	Mr. Kipkorir Mutai – Transport Manager  Mr. Charles Koech – Fund Administrator	Needs continuous monitoring	December 2022 for the pending cases (3)
NAK/BOMET EXEC CAR & MRG/2019/2020/(12)	Lack of Risk Management Policy	The risk management policy is now in place	N/A	Resolved	N/A

