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REPORT

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THE AUDITOR-GENERAL

ON

**KERICHO COUNTY EXECUTIVE STAFF CAR
LOAN FUND**

**FOR THE YEAR ENDED
30 JUNE, 2024**



COUNTY GOVERNMENT OF KERICHO

COUNTY GOVERNMENT OF KERICHO
KERICHO COUNTY EXECUTIVE STAFF CAR LOAN FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
JUNE 30TH, 2024

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

Kericho County Executive Staff Car Loan Fund
Annual Report and Financial Statements for the period ended June 30th, 2024

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1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings

b) Glossary of Terms

Fiduciary Management.

The key management personnel who had financial responsibility

2. Key Entity Information and Management

a) Background information

Car Loan Fund is established by and derives its authority and accountability from Kericho County Executive Staff Car Loans Scheme Fund Regulation on 2016, Act. The Fund is wholly owned by the County Government of Kericho and is domiciled in Kenya.

The fund's objective is to provide a loan scheme for the purchase of vehicles by staff. The Fund's principal activity is to provide a loan scheme for the purchase of vehicles by staff, the officers administering the fund shall supervise and control the administration of the fund, utilize the interest accruing thereto to defray operating expenses and may impose any reasonable restrictions or other requirements concerning such use, cause to be kept books of accounts and other books and record in relation to the fund and for all loans financed from the fund.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to provide a loan scheme for the purchase of vehicles by staff.

c) Fund Administration Committee

Ref	Position	Name
1	Chairman of Board	Jackson K Rop
2	County Secretary	Adv Lenny K Kirui
3	Chief Officer Finance	CPA Dr George K Kirer (PhD)
4	County Chief of Staff	Edgar Towett
5	County Physical Planner	Sylvia Inziani
6	County Attorney	Adv Gideon Mutai
7	County Payroll Manager	Mr Duncan Mutai

d) Key Management Team

No	Position	Name
1	Chairman of Board	Jackson K Rop
2	Fund Manager	CPA George K Kirer
3	Secretary	Sylvia Inziani
4	Member	Adv Lenny K Kirui
5	Member	Edgar Towett
6	Member	Adv Gideon Mutai
7	Member	Mr Duncan Mutai

e) Fiduciary Oversight Arrangements

SN	Position	Name
1	Director Internal Audit	Ms. Caroline Chepkemoi
2	Staff car Mortgage and car Loan Advisory Committee	Hon. Jackson K Rop
3	County Assembly of Kericho	Hon Martin Epus

f) Registered Offices

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

g) Fund Contacts

Telephone: (254) 052 2-21100
E-mail: info@kericho.go.ke
Website: www.kericho.go.ke

h) Fund Bankers

1. Cooperative Bank of Kenya
P.O BOX
Temple Road
Kericho Branch

i) Independent Auditors

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

j) Principal Legal Adviser

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




k) The County Attorney

County Headquarter
Kericho County
P.O. Box 112 20200




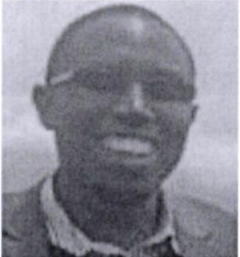
3. Fund Administration Committee




Name	Details of qualifications and experience
<p>Hon. Jackson K Rop</p> 	<p>Mr. Jackson K Ropwas born in 1964 and B-Com degree in Finance fromBarkatullahUniversity in Finance andalso holds a Masters of Business Administration from Moi University (MBA Executive) withvast experience in Public Sector. He is the Executive Committee Member for Finance and Economic Planning and also the Chairman of the Kericho County Executive Staff Mortgage Scheme Fund.</p>
<p>Adv Lenny K Kirui</p> 	<p>Lenny K Kirui was born in 1966 and holds degree in Law and has been practising for over ten years. He joined the County this year as the Chief Officer Office of the Governor and Ag. County Secretary.</p>
<p>CPA George K Kirer</p> 	<p>CPA Dr. George K Kirer (PhD) was born in 1981 with over ten years' experience in Public Finance& Planning from Audit to Accounts. He holds Doctorate in Strategic Management, CISA, and Bachelors in Commerce Accounting Option and holds CPA (K) and a member of ICPAK. He is the Fund Administrator of the Kericho County Executive Staff Mortgage Scheme Fund.</p>
<p>Edgar Towett</p> 	<p>Mr. Edgar Towett was born in 1981 and holds a degree in PM from Catholic University Eastern Africa and he joined the County last year a Chief of Staff.</p>

Kericho County Executive Staff Car Loan Fund
Annual Report and Financial Statements for the period ended June 30th, 2024

<p>Adv Gideon Mutai</p> 	<p>Gedion K Mutai was born in 1976 and holds a degree in Law and he is an advocate of the High Court in Kenya with over 14 years' experience in Government. He is currently serving as a County Attorney.</p>
<p>Plnr Sylvia Inziani</p> 	<p>M/s Sylvia Inziani was born in 1983 and holds a degree in Urban and Regional Planning and has an experience of over ten years in public sector. She is the county physical planner and Committee member of the Kericho County Executive Staff Mortgage Scheme Fund. She is the Secretary of Kericho County Executive Staff Mortgage Scheme Fund.</p>
<p>Mr Duncan Mutai</p> 	<p>Duncan Mutai was born in 1990 and has over ten years in the County Government in various positions. He has Accounting knowledge with CPA III and has experience in Payroll Management and he is the current Payroll Manager.</p>

4. Management Team

Name	Details of qualifications and experience
<p>Hon. Jackson K Rop</p> 	<p>Mr. Jackson K Ropwas born in 1964 and B-Com degree in Finance fromBarkatullahUniversity in Finance andalso holds a Masters of Business Administration from Moi University (MBA Executive) withvast experience in Public Sector. He is the Executive Committee Member for Finance and Economic Planning and also the Chairman of the Kericho County Executive Staff Mortgage Scheme Fund.</p>
<p>Adv Lenny K Kirui</p> 	<p>Lenny K Kirui was born in 1966 and holds degree in Law and has been practising for over ten years. He joined the County this year as the Chief Officer Office of the Governor and Ag. County Secretary.</p>
<p>CPA George K Kirer</p> 	<p>CPA Dr. George K Kirer (PhD) was born in 1981 with over ten years' experience in Public Finance& Planning from Audit to Accounts. He holds Doctorate in Strategic Management, CISA, and Bachelors in Commerce Accounting Option and holds CPA (K) and a member of ICPAK. He is the Fund Administrator of the Kericho County Executive Staff Mortgage Scheme Fund.</p>
<p>Edgar Towett</p> 	<p>Mr. Edgar Towett was born in 1981 and holds a degree in PM from Catholic University Eastern Africa and he joined the County last year a Chief of Staff.</p>

<p>Adv Gideon Mutai</p> 	<p>Gedion K Mutai was born in 1976 and holds a degree in Law and he is an advocate of the High Court in Kenya with over 14 years' experience in Government. He is currently serving as a County Attorney.</p>
<p>Plnr Sylvia Inziani</p> 	<p>M/s Sylvia Inziani was born in 1983 and holds a degree in Urban and Regional Planning and has an experience of over ten years in public sector. She is the county physical planner and Committee member of the Kericho County Executive Staff Mortgage Scheme Fund. She is the Secretary of Kericho County Executive Staff Mortgage Scheme Fund.</p>
<p>Mr Duncan Mutai</p> 	<p>Duncan Mutai was born in 1990 and has over ten years in the County Government in various positions. He has Accounting knowledge with CPA III and has experience in Payroll Management and he is the current Payroll Manager.</p>

5. Fund Chairperson’s Report


Kericho County Executive Staff Car Loan Scheme Fund consists of eight committee members who supervise and manage the fund scheme. During the year various meeting were held to deliberate on majorly on issuance of new car loans and other issues arising from the fund. The fund had allocated shilling Four million Five hundred thousand only (Ksh 4.5m) during this FY 2023-24. However, the whole amount had not been received as at the close of Financial Year. This affected the staffs that were to benefit from that disbursement in the County Executive.

Effective corporate governance is critical to the proper functioning of the mortgage fund and the economy as a whole. Its primary objective of corporate governance should be safeguarding stakeholder interest on sustainability basis the regulation of the Fund has a keen interest in sound corporate governance as it is an essential element of safe and sound operation. The fund’s performance during the year was fair.

There is an increased focus on risk and supporting framework and the committee should set the tone at the top and oversee management’s role in fostering and maintain a sound corporate and risk culture.

The future outlook of the fund expects to have more allocations in order to advance loans to other staff.

Name: Jackson K Rop

Signature.....

Date: 24-9-2024

Chairperson of the Fund

6. Report of The Fund Administrator

The funds remain a going concern entity and received a total of Kshs.20 million on July being late remission of FY 2022-23.

Notable Challenges

I. Lack of funds

The scheme is expected to operate and discharge its mandate as stipulated in the Act but the biggest challenge is lack of adequate funds.

II. Key Risk Management strategies

Credit risk management is the practice of determining creditworthiness assessing new and returning customers for risk of late or non-payment. It's important that the Fund perform their due diligence to manage the risks that come with extending car loan credit.

Political risk is associated with the County's political instability which may adversely affect the value of the funds' assets and operation, the changes in the business environment will affect the funds operations.

7. Statement of Performance Against the County Fund’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 entities 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.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Purchase of Cars to Executive staff	To enhance mobility by staff from one station to the other	Increased efficiency and job motivation	Increased uptake of car loans by staff	Timely repayments of the car loans issued to staff through deductions from the monthly pay

8. Corporate Governance Statement

In the just ended financial year, the fund administration committee meetings were attended by all the members as stipulated in the act.

There were only few meetings held by the fund committee to review the progress of the fund and approve loan to one of the beneficiaries.

The remuneration of the fund is not established yet but since the members are employees of the County Executive, they draw salaries from their departments. However, sitting allowance is paid to the administration committee.

9. Management Discussion and Analysis

The fund endeavours to adhere to all statutory requirements in the Kericho County Executive Staff Car Loan Scheme Fund Regulations 2016. The major risk faced by the fund is the inadequate funding and budgetary allocations to ensure the fund attains its mandate and all interested staff are able to access car loans.

The fund does not have any material arrears in statutory and financial obligations to any institution.

The operation performance of the fund during the year is as follows;

	2022/2023
	Kshs
Revenue From Non-Exchange Transactions	
Transfers From the County Government	4,500,000
Revenue From Exchange Transactions	
Interest Income	1,512,007
Other income	-
Total Revenue	6,012,007
Expenses	
Use of Goods and Services	580,535
Loan Disbursements	
Total Expenses	580,535
Other Gains/Losses	-
Surplus/(Deficit)for the Period	5,431,472

10. Environmental and Sustainability Reporting

Kericho County Executive Staff Car Loan Scheme Fund exists to transform lives of Kericho County Executive staff. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy in putting staff as our first priority, delivering services, and improving operational excellence. Below is a brief highlight of our achievements;

1. Sustainability strategy and profile -

The board management seeks to make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

2. Environmental performance

The Fund seeks to advance staff car loans to purchase cars that are environmentally friendly where in the case of imported vehicles, they must be less than eight (8) years old from the year of manufacture and will be subject to roadworthiness inspection by a KEBS appointed inspection agent in the country of export.

3. Employee welfare

The core mandate of Kericho County Executive Staff Car Loan Scheme Fund is to improve the welfare of the Kericho County Executive staff by advancing car loans to purchase the vehicles of their choice. This is a reward system that seeks to improve the morale of staff.

4. Market place practices

For the purpose of Kericho County Executive Staff Car Loan Scheme Fund Regulations 2016, the value of a new vehicle shall be as quoted on the invoice from the supplier whereas the value of a used vehicle shall be as determined by a report from the body known as the Automobile Association of Kenya or the Government department dealing with such matters or any such value as may be approved by the Committee.

5. Community Engagements

During the period ended 30th June 2024, Kericho County Executive Staff Car Loan Scheme Fund did not participate in any community engagement.

11. Statement of Management’s Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Kericho County Executive Staff Car Loan Scheme Fund 2016 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 the period ended 30th June 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Kericho County Executive Staff Car Loans Scheme Fund Regulation on 2016, Act. 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 period ended 30th June 2024 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. OR

Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

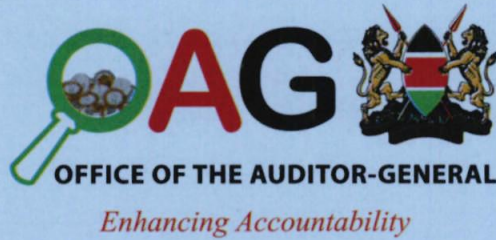
The Fund’s financial statements were approved by the Board on 24.9.2024 and signed on its behalf by:

.....


CPA Dr George K Kirer (PhD)
Administrator of the Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KERICHO COUNTY EXECUTIVE STAFF CAR LOAN FUND FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 Kericho County Executive Staff Car Loan Fund set out on pages 1 to 25, which comprise the statement of financial

position as at 30 June, 2024, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kericho County Executive Staff Car Loan Fund as at 30 June, 2024 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 Kericho County Executive Staff Car Loan Scheme Fund Regulations, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

Inaccuracies were observed in the financial statements as follows:

- a. The statement of changes in net assets reflects deficit for the previous year of Kshs.2,868,498 as a reduction to the revolving Fund. The amount should be reflected as reduction to the accumulated surplus in the preceding period.
- b. Note 10 on page 20 reflects finance costs which should comprise Interest on bank overdrafts and interest on loans from banks, However, the finance cost is in reference to amount payable for a car loan of Kshs.1,206,243. Additionally, the statement of cash flows in Note 10 is explanatory Note for transfers from the County Government.
- c. The statement of cash flows at page 5 reflects total receipts of Kshs.22,137,715 and net cash flows from operating activities of Kshs.22,054,065. The total receipts sum total is Kshs.22,718,250 and net cash flows from operating activities is Kshs.22,137,715.

In the circumstances, the accuracy and completeness of the statement of changes in net assets and the statement of cash flows could not be determined.

2. Transfers from the County Government

The statement of cash flows and statement of net assets for the year ended 30 June, 2024 reflect transfers from the county government of Kshs.20,000,000 while the statement of financial performance together with Note 1 to the financial statements reflects an amount of Kshs.4,500,000. The variance of Kshs.15,500,000 was not explained.

In the circumstances, the accuracy and completeness of the transfers from the County Government amount of Kshs. 20,000,000 could not be confirmed.

3. Interest Income

The statement of financial performance together with Note 2 reflects an amount of Kshs.1,512,007 in respect of interest income. However, the supporting schedule provided for audit review revealed an amount of Kshs.1,724,527 resulting to unexplained and unreconciled variance of Kshs.212,520. Further, the interest was not supported with individual loan account amortization schedule.

In the circumstances, the accuracy and completeness of the interest income of Kshs.1,512,007 could not be confirmed.

4. Receipts from Other Operating Activities

The statement of cash flows reflects an amount of Kshs.1,206,243 for receipts from other operating activities whereas the referenced Note 11 is in respect of proceeds from loan repayments of Kshs. 3,982,203. The supporting schedule for the receipts from other operating activities were not provided for audit review. In addition, the receipts from other operating activities of Kshs.1,206,243 were not disclosed in the statement of financial performance for the year.

In the circumstances, the accuracy and completeness of the receipts from other operating activities of Kshs.1,206,243 could not be confirmed.

5. Loan Disbursements Paid out

The statement of cash flows reflects an amount of Kshs.27,000,000 in respect of loans disbursement-paid out during the year. However, the supporting schedule revealed loans disbursement-paid out totaling Kshs.26,600,000 were disbursed to eleven (11) members resulting to unexplained and unreconciled variance of Kshs.400,000.

In the circumstances, the accuracy and completeness of loans disbursement-paid out of Kshs.27,000,000 could not be confirmed.

6. Unsupported Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalent balance of Kshs.22,112 which differed with the cashbook balance of Kshs.4,964,291 resulting to unreconciled variance of Kshs.4,942,179.

The July, 2024 bank reconciliation statement reflected receipts in the cashbook not recorded in the bank statement of Kshs.4,942,179, which comprised of recoveries of loans and interest amounting to Kshs 442,179 and exchequer of Kshs 4,500,000. However, the transfer from County Government amount of Kshs 4,500,000 was not recorded in the cashbook.

In the circumstance, the completeness and accuracy of cash and cash equivalent balance of Kshs.22,112 could not be confirmed.

7. Inaccuracy of Long-term Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 7 to the financial statements reflects a balance of Kshs.38,723,569 in respect of long-term receivables from exchange transactions. However, re-calculation of the balance using information provided results to Kshs.38,723,569 as detailed below giving rise to an unexplained and unreconciled variance of Kshs.8,845,888. Further, the movement schedule was not provided for audit review.

Details	Amount (Kshs.)
Opening Balance as at 1 July, 2023	18,284,402
Add: New loans Issued	27,000,000
Less: Loan Repayments	3,3982,203
Less: Interest Earned	1,512,007
Less: Current Portion of Long-Term Receivables from Exchange	9,912,511
Re-calculated Balance as at 30 June, 2024	29,877,681
Less: Balance in Financial Statements	38,723,569
Variance	(8,845,888)

The long-term receivables from exchange transactions amount of Kshs.38,723,569 further varies with re computed amount of Kshs.29,683,446 for twenty officers thereby resulting to unreconciled variance of Kshs. 8,827,491.

In the circumstances, the accuracy and completeness of the balance for long-term receivables from exchange transactions of Kshs.38,723,569 could not be confirmed.

8. Non-Performing Loans

The statement of financial position and as disclosed in Note 7 to the financial statements reflects a balance of Kshs.38,723,569 in respect of long-term receivables from exchange transactions. The balance includes loans of Kshs.28,110,722 issued to nine (9) scheme members that are in default. However, no effort had been taken by the Loan Management Committee, administrative or legal, to recover the debts in full.

In addition, review of the amortization schedules provided revealed amounts totaling to Kshs.6,868,125.44 issued to two (2) members of County Executive who stopped servicing their loans and are no longer employees of Kericho County Executive. This is contrary to SRC circular no SRC/ADM/CIR/1/13 vol iii (128) dated 17 December, 2014 which requires the loans should be reverted to commercial terms after five (5) years.

Further, no demand letters have been written to the defaulters despite the loans being dormant for periods ranging from three to seven years.

In the circumstances, the accuracy and recoverability of the non-performing loans of Kshs.38,723,569 could not be confirmed.

9. Proceed from Loan Principal Repayment

The statement of cash flows reflects an amount of Kshs.3,982,203 in respect of proceeds from loans principal repayment during the year. However, the supporting schedule revealed loans principal repayments totalling Kshs.4,883,567 resulting to unexplained and unreconciled variance of Kshs.901,364. Further, the proceeds from loans principal repayment were not supported with loan amortization schedules and payroll deduction statements and payment vouchers.

In the circumstances, the accuracy and completeness of proceeds from loans principal repayment amount of Kshs.3,982,203 could not be confirmed.

10.Unsupported Current Portion of Long-term Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 6 to the financial statements reflects a balance of Kshs.9,912,511 in respect of current portion of long-term receivables from exchange transactions. However, individual debtor's ledger and amortization schedules were not provided for audit review.

In the circumstances, the accuracy and completeness of the current portion of long-term receivables from exchange transactions balance of Kshs.9,912,511 could not be confirmed.

11.Unsupported Prior Periods Adjustment

The statement of changes in net assets and as disclosed in Note 13 to the financial statements reflects prior period adjustment of Kshs. 12,109,591 that reduced accumulated surplus from Kshs.18,525,806 to Kshs.6,416,215. However, supporting documents in respect of the prior period adjustment of Kshs.12,109,591 was not provided for audit verification.

In the circumstances, the accuracy and completeness of the accumulated surplus balance of Kshs.12,109,591 could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kericho County Executive Staff Car Loan Fund Management in accordance with ISSAI 130 on the 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 judgement, are of most significance in the audit of the financial statements. Except for the matter(s) described in the Basis for Qualified Opinion, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Prior Year Matters

As disclosed under the progress on follow up of auditor's recommendations section of the financial statements, all the prior year audit issues are indicated as resolved as at 30 June, 2024. However, Management did not provide evidence in support of the resolutions.

Other Information

Management is responsible for the Other Information set out on page iv to xvi which comprise of Key Entity Information and Management, Fund Administration Committee, Management Team, Fund Chairperson's Report, Report of the Fund Administrator, Statement of Performance Against the County Fund's Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environment and Sustainability Reporting and Statement of Management's Responsibilities. The Other Information does not include the financial statements and my report thereon.

In connection with my audit on Kericho County Executive Staff Car Loan Fund's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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. Unbalanced Budget

The statement of comparison of budget and actual amounts for the year ended 30 June, 2024 reflects receipt final budget of Kshs.6,012,007 and an expenditure final budget of Kshs.580,535 resulting in a variance of Kshs.5,431,472. The budget imbalance

is contrary to the provisions of Section 31(c) of the Public Finance Management (County Government) Regulations, 2015 which states that 'budget revenue and expenditure appropriation shall be balanced.

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

2. Lack of an Approved Budget

The statement of comparison of budget and actual amounts reflects final budget amounts of Kshs. 6,012,007 and Kshs.580,535 in respect of revenue and expenditure, respectively. However, an approved budget for the year was not provided for audit review as required by Section 149(2)(h) of Public Finance Management Act, 2012, which requires accounting officers to prepare estimates of expenditure of the entity in conformity with its strategic plan.

In the circumstances, Management is in breach of law.

3. Failure to Remit Fringe Benefit Tax

Review of records revealed that Management issued car loans amounting to Kshs.27,000,000 to the staff of County Executive in the year under review. The loans were advanced at a rate of 3%, a rate below the market rate and, therefore, qualified for imposition of fringe benefit tax. However, there was no evidence that the management had remitted fringe benefit tax on the loans disbursed during the year. This was in breach of Section 12B of the Income Tax Act which requires the Fund management to remit tax in respect of loans and mortgages provided at an interest rate lower than the market interest rate.

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

The audit was conducted in accordance with ISSAI 3000 and 4000. The standards require 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, except for the effects of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Risk Management Policy

Review of documents and records provided for audit review revealed that the Fund had not established a risk management policy. This is contrary to Regulation 158(1) (a-b) of the Public Finance Management (County Governments) Regulations, 2015 which states that Accounting Officer shall ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

In the circumstances, Management was in breach of the law and was also not able to identify risks and develop mitigating strategies.

2. Inconsistency in Fund Account Name

Note 5 to the financial statements reflects the name of the bank account as Kericho County Car Loan Account while the cash balance certificate reflects the account name as County Government of Kericho which is contrary to the requirements of the Public Finance Management (Kericho County Executive Staff Car Loan Scheme Fund) Regulations, 2016.

In the circumstances, Management should ensure the bank account name properly refers to the Fund.

The audit was conducted in accordance with ISSAI 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 controls, risk management and overall governance.

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

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

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

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 December, 2024


Kericho County Executive Staff Car Loan Fund
Annual Report and Financial Statements for the period ended June 30th, 2024

13. Statement of Financial Performance for the period ended 30th June 2024

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations		-	-
Transfers From the County Government	1	4,500,000	20,000,000
Fines, Penalties and Other Levies		-	-
		4,500,000	20,000,000
Revenue From Exchange Transactions			
Interest Income	2	1,512,007	214,247
Other Income		-	-
		1,512,007	214,247
Total Revenue		6,012,007	20,214,247
Expenses			
Use of Goods and Services	3	580,535	600
Loans Disbursement		-	1,500,000
Total Expenses		580,535	1,500,600
Other Gains/Losses			
Gain/Loss on Disposal of Assets		-	-
Gain /Loss on fair value of investments		-	-
Surplus/(Deficit) for the Period		5,431,472	18,713,647



 CPA Dr George K Kirer (PhD)
 Administrator of the Fund
 ICPAK MNo:9499



 CPA Willy Chirchir
 Fund Accountant
 ICPAK MNo:17247

14. Statement of Financial Position as at 30th June 2024

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	4	22,112	902,193
Current Portion of Long- Term Receivables From non- Exchange Transactions	5	4,500,000	20,000,000
Current Portion of Long- Term Receivables From Exchange transactions	6	9,912,511	6,577,211
Investments in financial assets		-	-
Total current assets		14,434,623	27,479,404
Non-Current Assets			
Property, Plant and Equipment		-	-
Intangible Assets		-	-
Long Term Receivables from Exchange Transactions	7	38,723 569	18,284,402
Investment Property			
Total non- current assets		38,723 569	18,284,402
Total Assets		53,158,192	45,763,806
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	8	(1,072,505)	7,000,000
Current Portion of Borrowings		-	-
Social benefit liabilities		-	-
Total current liabilities		(1,072,505)	-
Non-Current Liabilities			
Long Term Portion of Borrowings		-	-
Non-Current Employee Benefit Obligation		-	-
Total Liabilities		-	7,000,000
Net Assets		52 085 687	38,763,806
Revolving Fund		40,238,000	20,238,000
Reserves		-	-
Accumulated Surplus		11,847,687	18,525,806
Total Net Assets and Liabilities		<u>52 085 687</u>	<u>38,763,806</u>

Kericho County Executive Staff Car Loan Fund
Annual Report and Financial Statements for the period ended June 30th, 2024

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 24.9.24 and signed by:



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CPA Dr George K Kirer (PhD)
Administrator of the Fund
ICPAK MNo:9499



.....
CPA Willy Chirchir
Fund Accountant
ICPAK MNo:17247

Kericho County Executive Staff Car Loan Fund
Annual Report and Financial Statements for the period ended June 30th, 2024

15. Statement of Changes in Net Assets for the period ended June 30th, 2024

Description	Revolving Fund	Revaluati on Reserve	Accumulated surplus	Total
	Kshs	Kshs	Kshs	Kshs
Balance As At 1 July 2022	23,106,498.00	-	(187,841)	22,918,657
Surplus/(Deficit) For the Period	(2,868,498.00)	-	18,713,647	15,845,149
Funds Received During the Year	-	-	0	0
Transfers	0	-	-	0
Revaluation Gain	-	-	-	0
BalanceAsAt30 June 2023	20,238,000	-	18,525,806	38,763,806
				0
Balance As At 1 July 2023	20,238,000	-	18,525,806	38,763,806
Surplus/(Deficit)For the Period	-	-	5,331,472	5,331,472
Funds Received During the Year	20,000,000	-		20,000,000
Transfers	-	-	(12,109,591)	(12,109,591)
Revaluation Gain	-	-	-	0
Balance As At 30 June 2024	40,238,000	-	11,847,687	52,085,687

.....
 CPA Dr George K Kirer (PhD)
 Administrator of the Fund
 ICPAK MNo:9499


.....
 CPA Willy Chirchir
 Fund Accountant
 ICPAK MNo:17247

16. Statement of Cash flows for the period ended June 30th, 2024

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the county government	10	20,000,000	
Interest received	2	1,512,007	
Receipts from other operating activities	11	1,206,243	-
Total receipts		22,137,715	-
Payments			
General expenses			
Use of Goods and Services	3	580,535	600
		580,535	600
Net cash flows from operating activities		22,054,065	(600)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible Assets		-	-
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments	12	3,982,203	205,387
Loan disbursements paid out	13	(27,000,000)	(1,500,000)
Net cash flows used in investing activities		(23,017,797)	(1,294,613)
Cash flows from financing activities			
Proceeds from revolving fund receipts			
Additional borrowings			
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) In cash & cash Equivalents		(880,081)	(1,295,213)
Cash and cash equivalent as at 1July 2023		902,193	2,197,406
Cash and cash equivalent as at 30th June2024		22,112	902,193



 CPA Dr George K Kirer
 Administator of Fund
 ICPAK MNo:9499



 CPA Willy Chirchi
 Fund Accountant
 ICPAK MNo 17247

Kericho County Executive Car Loan Fund


Annual Report and Financial Statements for the period ended June 30th, 2024

17. Statement of Comparison of Budget And Actual Amounts For the period ended June 30th, 2024

Description	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	E=(c-d)	f=d/c*100
Revenue						
Public Contributions and Donations	-	-	-	-	-	
Transfers From County Govt.	4,500,000	-	4,500,000	4,500,000	-	100%
Interest Income	1,512,007		1,512,007	1,512,007	-	
Other Income	-	-	-	-	-	
Total Income	6,012,007	-	6,012,007	6,012,007		
Expenses						
Use of Goods and Services	600,000	135,000	735,000	580,535	154,465	79%
Other Exp						
Total Expenditure	580,535	-	580,535	580,535		
Surplus For the Period	5,431,472		5,431,472	5,431,472		



 CPA Dr George K Kirer (PhD)
 Administrator of the Fund
 ICPAK MNo:9499



 CPA Willy Chirchir
 Fund Accountant
 ICPAK MNo:17247

18. Notes to the Financial Statements

1. General Information

Kericho County Executive Staff Car Loan Fund is established by the Public Financial Management Act and derives its authority and accountability from Kericho County Executive Staff Car Loan Fund on 20th January 2016. The entity is wholly owned by the Kericho County Government and is domiciled in Kenya. The entity's principal activity is to purchase cars for members of the Kericho County Executive Staff.

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

(i) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023*

Standard	Effective date and impact
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023</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 uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for

Standard	Effective date and impact
	instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</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"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <ul style="list-style-type: none"> 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <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>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

(ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees 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 cash flows 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>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>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 the results of discontinued operations to be presented separately in the statement of financial performance.</p>

(iii) Early adoption of standards

The Kericho County Executive Staff Mortgage Fund adopted to the new or amended standards in the financial year 2023-24.

1. 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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2023-24 was approved by the County Assembly on Jun 2024. 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.

Summary of Significant Accounting Policies (Continued)

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

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

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) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Summary of Significant Accounting Policies (Continued)

f) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Summary of Significant Accounting Policies (Continued)

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL).

Significant Accounting Policies (Continued)

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

g) 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 labour 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.

h) 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.

i) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

Summary of Significant Accounting Policies (Continued)

j) 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.

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

l) 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.

m) 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.

Summary of Significant Accounting Policies (Continued)

n) 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.

o) 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.

p) 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.

q) 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.

r) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. 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.

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

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. Additional disclosure of these estimates of provisions is included in Note xxx.

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.

Kericho County Executive Car Loan Fund
Annual Report and Financial Statements for the period ended June 30th, 2024

6. Notes To The Financial Statements

1. Transfers from County Government

Description	2023/2024	2022/2023
	Kshs	Kshs
Transfers From County Govt.	4,500,000	20,000,000
Total	4,500,000	20,000,000

2. Interest income

Description	2023/2024	2022/2023
	Kshs	Kshs
Interest Income Car Loans	1,512,007	214,197
Other income	-	50
Total Interest Income	1,512,007	214,247

3. Use of Goods and Services

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Committee Allowances	575,400	-
Bank Charges	5,135	600
Total	580,535	600

4. Cash and Cash equivalents

Description	2023/2024	2022/2023
	Kshs	Kshs
Kericho Car Loan Account	22,112	902,193
Total Cash And Cash Equivalents	22,112	902,193

5. Current Portion of Long Term Receivables from non Exchange Transactions

Description	2023/2024	2022/2023
	Kshs	Kshs
Transfers From County Govt. –Operations	4,500,000	20,000,000
Total	4,500,000	20,000,000

6. Current Portion of Long Term Receivables from Exchange Transactions

Description	2023/2024	2022/2023
Current Receivables	9,028,315	13,577,211
Due from car loan	442,016	
June PRD	442,180	-
Total	9,912,511	13,577,211

7. Long Term Receivables from Exchange Transactions

Description	2023/2024	2022/2023
	Kshs	Kshs
Current Receivables	38,723,569	18,284,402
Total Current Receivables	38,723,569	18,284,402

8. Trade and other payables from exchange transactions

Description	2023-24		2022-23	
	Kshs		Kshs	
Payables to Mortgage acct	1,072,505		7,000,000	
Total	1,072,505		7,000,000	
Ageing analysis (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	1,072,505	%	-	%
1-2 years		%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (tie to above total)	1,072,505	-	-	-

Kericho County Executive Car Loan Fund
Annual Report and Financial Statements for the period ended June 30th, 2024

9. Transfers

Description	2023/2024	2022/2023
	Kshs	Kshs
Transfers for last Financial year	20,000,000	5,000,000
Total	20,000,000	5,000,000

10. Finance Cost

Description	2023/2024	2022/2023
	Kshs	Kshs
Payable to Car loan	1,206,243	1,206,243
Total	1,206,243	1,206,243

11. Proceeds from Loan repayments

Description	2023/2024	2022/2023
	Kshs	Kshs
Repayments	3,982,203	205,387
Total	3,982,203	205,387

12. Loan Disbursement

Description	2023/2024	2022/2023
	Kshs	Kshs
Loan Disbursement	27,000,000	1,500,000
Total	27,000,000	1,500,000

Kericho County Executive Car Loan Fund
Annual Report and Financial Statements for the period ended June 30th, 2024

Notes to the Financial Statements Continued

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

Financial Institution	Account number	2023/2024	2022/2023
		Kshs	Kshs
a) Current Account			
Cooperative Bank of Kenya	01141603844501	22,112	902,193
Sub- Total		22,112	902,193
Grand Total		22,112	902,193

13. Prior year Adjustments

A prior period adjustment really applies to the correction of an error in the financial statements of a prior period.

	Balance b/f from Previous FY as per audited financial statements	Adjustments during the year relating to prior periods	Adjusted ** Balance b/f For previous FY
Description Of the Error	Kshs	Kshs	Kshs
Acc Surplus/(Deficit)	18,525,806	(12,109,591)	6,416,215
Bank Account Balances			
Cash in Hand	-	-	-
Outstanding Imprests and Advances	-	-	-
Third party deposits and Retention	-	-	-
Others (<i>Specify</i>)	-	-	-
Total	18,525,806	(12,109,591)	6,416,215

Kericho County Executive Car Loan Fund
Annual Report and Financial Statements for the period ended June 30th, 2024

Notes To The Financial Statements (Continued)

14. Cash generated from operations

Description	2023/2024	2022/2023
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	5,347,822	18,713,647
Adjusted For:		
Depreciation		-
Amortisation		-
Gains/ Losses On Disposal of Assets		-
Interest Income	1,428,357	(214,247)
Finance Cost		-
Working Capital Adjustments:		-
Increase In Inventory		-
Increase In Receivables	15,277,886	(11,499,400)
Increase In Payables		(7,000,000)
Net Cash Flow From Operating Activities	22,054,065	(600)

Notes to The Financial Statements (Continued)

15. 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:

Kericho County Executive Car Loan Fund
Annual Report and Financial Statements for the period ended June 30th, 2024

Notes To The Financial Statements (Continued)

a) 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:

Description	2023/2024	2022/2023
	Kshs	Kshs
Revaluation reserve		0
Revolving fund to date	40,238,000	25,360,722
Accumulated surplus	10,963,328	18,713,647
Total Funds	51,201,328	44,074,369
Total borrowings to date	47,860,722	25,360,722
Less: cash and bank balances as at 30.06.2024	(22,112)	(902,193)
Net debt/(excess cash and cash equivalents)	47,838,610	24,458,529
Gearing	0.93	0.67

16. Events after the reporting period

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

17. Ultimate and Holding Entity

The entity is a County Public Fund established by Public Finance Management Act (Kericho County Executive Staff Mortgage Scheme Fund) on 20th January 2016 under the Ministry of Finance and Economic Planning. Its ultimate parent is the County Government of Kericho.

18. Currency

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

**Kericho County Executive Car Loan Fund
Annual Report and Financial Statements for the period ended June 30th, 2024**

19. Annexes

Annex I: Progress on Follow Up of Prior Year Auditor's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
1	Inaccuracies of the Financial Statement	To amend the Financial Statements	Resolved	December 2024
2	Irregular Accounting for loan Disbursements	Apply IPSAS Accrual Accounting Basis	Resolved	December 2024
3	Unsupported Current Portion of Receivables from Exchange Transactions	Support the Receivables from Exchange Transactions	Resolved	December 2024
4	Unsupported Long Term Receivables from Exchange Transactions	Support Long Term Receivables from Exchange Transactions	Resolved	December 2024
5	Inaccuracies of the Statement of Changes in Net Assets	To amend the Statement of Changes in Net Assets	Resolved	December 2024
6	Presentation of the Financial Statements	To amend the Financial Statements	Resolved	December 2024

CPA Dr George K Kirer (PhD)

Administrator of the Fund

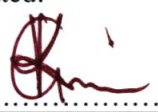
Date: 24-9-2024

Kericho County Executive Car Loan Fund
Annual Report and Financial Statements for the period ended June 30th, 2024

Annex II: Inter-Fund Confirmation Letter
County Government of Kericho

Kericho County Executive Staff Car Loan Fund
P.O. Box 112-20200
County headquarters Building
Kericho- Nakuru Highway
Kericho.

The Kericho County Executive Staff Car Loan Fund wishes to confirm the amounts disbursed to you as 30th June 2024 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by Kericho County Executive Staff Mortgage Scheme Fund as at 30 th Jun 2024							
Reference Number	Date Disbursed	Amounts Disbursed by Kericho County Executive Staff Car Loan Fund(Kshs) as at 30 th June 2024				Amount Received by fund as at 30 th June 2024 (KShs) (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter Ministerial (C)	Total (D)=(A+B+C)		
N/A	N/A	-	-	-	-	-	-
Total		≡	≡	≡	≡	-	-
In confirm that the amounts shown above are correct as of the date indicated.							
Head of Accountants department of beneficiary Fund:							
Name CPA Dr George K Kirer (PhD)		Sign: 			Date: 24-9-2024		