

REPUBLIC OF KENYA



Enhancing Accountability

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REPORT

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THE AUDITOR-GENERAL

ON

**BARINGO COUNTY EXECUTIVE
MORTGAGE SCHEME FUND**

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





BARINGO COUNTY EXECUTIVE MORTGAGE SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2022

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

**Baringo County Executive 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

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

Fund's object and purpose is to provide a mortgage scheme for the purchase, development, renovation or repair of residential property by members of the County Executive as is prescribed by the Salaries and Remuneration Commission in their letter dated 27 November 2013. The Fund's principal activity is the provision of loans and mortgages to the Members of County Executive and ensuring that loans advanced are recovered.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to continue in provision of loan scheme for the purchase, development, renovation or repair of residential property by members of the County Executive as prescribed by the Salaries and Remuneration Commission.

c) Fund Administration Committee

Ref	Name	Position
1	Chairman of the Committee	Elijah Kipkoros
2	Chief Officer Finance	CPA, Dr Jane Barus
3	Committee Members	Dr. David Sergon CPA Enock Keston Dr. Richard Rotich Joseph Korir Julius Tarus

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d) Key Management

Ref	Name	Position
1	Dr Jane Barus	Chief Officer Finance, Fund Administrator
2	Gikono Kiptoo	Director Finance
3	David Rerimoi	Deputy Director Accounting Services, Fund Accountant
4	Nicholas Kiprotich	Chief Accountant
5	Francis Karimi	Senior Accountant

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e) Registered Offices

P.o Box 53-30400
AFC Building
Kabarnet –Iten Road

f) Fund Contacts

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

g) Fund Bankers

Kenya Commercial Bank
Kabarnet Branch
P.o. Box 175-30400
Kabarnet
A/C No. 1179329708

h) Independent Auditors



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

i) Principal Legal Adviser

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

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2. Fund Administration Committee

Name	Details of qualifications and experience
 <p>Elijah Kipkoros</p>	<p>Chairman of the Committee. CECM Transport and Infrastructure and also Acting County Secretary. Hon Kipkoros holds a Master’s degree in Human resource, a degree in Education and a diploma in Human resource. Before joining Cabinet, Kipkoros was principal, RCEA Biwott Ngelei Tarit Secondary School having come from Kapngetuny Boys High School in Uasin Gishu County where he worked in the same capacity. He has also undertaken SLDP and SMC from Kenya School of Government.</p>
 <p>Dr. David Sergon</p>	<p>Member of the Committee. CECM Education and Acting CECM Trade and Industrialization. Hon. Sergon holds a PhD in Entrepreneurship Studies from Moi University and a Masters in Entrepreneurship and Management from Kenyatta University as well as a bachelor’s degree in accounting and mathematics from University of Nairobi. He has also undertaken SLDP and SMC from Kenya School of Government. Before joining county executive Dr. Sergon was a lecturer at Moi University where he taught an assessed students in entrepreneurship and management sciences at undergraduate and graduate level.</p>

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Dr. Richard Rotich

Member of the Committee. CECM Health and Acting CECM Lands and Housing and Urban Development. Hon. Dr. Rotich holds a PhD in strategic management from Moi University and a Master's degree in Business Administration with specialty in strategic management and Marketing as well as Bachelors of Art degree, public administration & Economic planning also from Moi University. He possesses a 13-year experience gained in diverse work environments in the country as National Social Security Fund (NSSF) branch manager for Kericho, Kisumu, Nanyuki and Kapsabet branches. He was also a part time lecturer at University of Eldoret between 2015-2017.

Joseph Korir

Member of the Committee. Chairman Public Service Board

Julius Tarus




Member of the Committee. County Attorney

Jane Barus

Date of Birth 1979
 Doctor of Philosophy in Business Administration
 Finance
 Masters in Business Administration
 CPA K
 Chief Officer Finance
 Fund Administrator

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3. Management Team

Name	Details of qualifications and experience
Jane Barus	Date of Birth 1979 Doctor of Philosophy in Business Administration Finance Masters in Business Administration CPA K Chief Officer Finance Fund Administrator
 David Rerimoi	Year of birth 1980 Key Qualifications: Masters in Business Administration(UON) ,BCOM,CPA(K) Senior Management Course, SLDP Fund accountant
 Gikono Kiptoo	Year of Birth:1980 Key Qualifications: Masters in Business Administration (JKUAT),BCOM,CPA(K) Senior Management Course.
 Francis Karimi	Year of Birth:1981 Key Qualifications: Bachelor of Commerce (Finance),CPA(K) Senior Management Course.

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Nicholas Kiprotich

Year of Birth:1981

Key Qualifications: MBA, Bachelor of
Commerce (Finance),

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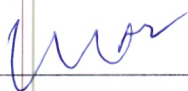
4. Fund Chairperson's Report

It is my pleasure to present the Baringo County Executive Members Mortgage Scheme Fund financial statements for the year ended 30 June 2022. The financial statements present the financial performance of the Fund over the past year. During the year under review, the fund did witness a change in the composition of its board and management team. Elijah Kipkoros remained the Chairperson while members were David Sergon, Richard Rotich, Joseph Korir, Dr. Jane Barus, and Julius Tarus, Joel Koima, Alexander Lomaringoria and Francis Komen left to pursue political interest. John Kisang was transferred to another department while Jane Barus joined from the department of Education.

During the period under review, the Fund did not receive additional Fund capital for onward lending to the Members from the exchequer. However, total income from interest and other operating activities was ksh 1,560,822.65. During the year ended 30 June 2022, mortgage disbursements was Ksh 9,000,000 and a total of ksh 5,048,410.16 was received as proceeds from loan principal repayments. During the year ended 30 June 2022, the Fund realized a surplus of Ksh 1,558,797.65. Total assets held at the end of financial year was Ksh 63,983,891.18 with Long Term Receivable from exchange transaction being Ksh 46,286,287.02 while current loan repayments due is Ksh 13,037,150.21. Further, Ksh 1,482,415 was paid back to car loan account being Car Loan Contribution refund and Ksh 821,546.65 was received from Car loan account being refund from car loan to mortgage.

The Fund intends to review its regulations in order to incorporate CRB and transfer its lending activity to a reputable Commercial Bank. In conclusion, FY 2021/2022 was a good year in general. Good progress was made and the momentum has been created to enable the Fund on a trajectory into prosperity. The Fund has been instrumental in facilitating the Members purchase or develop residential property to improve their welfare and enable them deliver on their mandate. I thank all Members and staff in the entire County Executive for their continued commitment and dedication through hard work in delivering services to the people of Baringo County.

Signed: _____



Elijah Kipkoros

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5. Report of the Fund Administrator

It is my pleasure to present the Baringo County Executive Members Mortgage Scheme Fund financial statements for the year ended 30 June 2022. The financial statements present the financial performance of the Fund over the past year in detail. During the year under review, the fund management team were Dr Jane Barus, Gikono Kiptoo, David Rerimoi, Julius Tarus, Nicholas Kiprotich and Francis Karimi.

During the period under review, the fund did not receive additional Fund capital for onward lending to the Members from the exchequer unlike prior years.

Total income was Ksh1,560,822.65 (2020/2021 was Ksh 1,720,201.69). For the year under review, total expenses was ksh 2,025 while in the year 2020/2021 it was ksh 3,195. During the year ended 30 June 2022, the Fund realized a surplus of Ksh 1,558,797.65 compared to ksh 1,717,006.69 in FY 2020/2021. During the year ended 30th June 2022, a total of Ksh 9,000,000 was disbursed but a total of ksh 5,048,410.16 was received as proceeds from loan principal repayments. The current portion of long-term receivables from exchange transactions was ksh 13,037,150.21, (Ksh 10,558,810.26 in FY 2020/2021). Long term receivables from exchange transactions was ksh 46,286,287.02 (ksh 46,126,823.18 in FY 2020/2021). Total revolving fund was Ksh 61,769,167.32 (Ksh 60,052,160.64 in FY 2020/2021).


The Loans Management Committee plans to disburse loans in the future to the members of staff subject to the availability of funds. The physical progress of the fund has not been impressive based on recovery and legal adherences. Therefore, the committee plans to strengthen loan controls by engaging financial institutions so as to ensure full compliance to loan requirements otherwise value for money will not be realized.

From the above financials, it is clear that the fund budgetary allocation is not consistent. Baringo County Executive Members Mortgage Scheme Fund faced a myriad of challenges while implementing its strategic objectives. Key challenge was allocation of limited resources to an ever increasing demand. This curtailed the scope of impact the fund could have made. Going forward, the fund will analyse its prior year's income and expenditure so as to present a realistic budget. Further, the fund has laid strategies to increase its revenue by partnering with several financial institutions. To effectively manage risk, the fund through its committee has adopted the following risk management strategies: risk identification, risk analysis, risk evaluation, risk

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treatment, risk monitoring, risk avoidance, risk reduction and risk sharing. This was adopted from Baringo County Risk Management Policy.

In conclusion, FY 2021/2022 was a fair year in general. Good progress was made and the momentum has been created to enable the Fund on a trajectory into prosperity. I thank all Members and staff in the entire County Executive for their continued commitment and dedication through hard work in delivering services to the people of Baringo County.



Dr. Jane Barus
Fund Administrator

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6. 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 entity 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.

The key development objectives of the Fund as per the strategic plan for 2021-2022 Financial year were to:

- a. Provide a loan scheme for the purchase, development, renovation or repair of residential property for state officers and public servants as prescribed by Salaries and Remuneration Commission.
- b. Ensure the stated money is used for the intended purpose by putting control measures.
- c. Recovery of loans in time.
- d. Adherence to regulations governing Baringo County Executive Mortgage Scheme Fund.
- e. Train the fund management committee.
- f. Grow the fund using internal and external sources.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Loan for state officers and Public servants	Employee motivation	Increased number of staff owning residential houses in the County	% of staff who have accessed mortgage loans.	In FY in FY 2021/2022, three employees accessed mortgage loans up from none in the previous year.
Usage of mortgage	Used for residential houses	Increased number of residential property	% of staff who owns residential property	In FY 2021/2022, state officers and public servant did

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				not benefit from mortgage loans.
Mortgage recovery	Quality revolving fund	Zero arrears	% of good loans	In FY 2021/2022, mortgage loan recovery was below average.
Legal adherence	Compliance to regulations	Zero deviation from the regulations	Number of queries and court cases on mortgage loans	In FY 2021/2022, a number of mortgage loans had compliance issues.
Training	Employees awareness and fund management committee training	Well trained Baringo County Executive Mortgage Scheme Fund committee. Employee awareness on mortgage loans.	Number of trainings. Number of mortgage loan applications.	In FY 2021/2022 no training was conducted however 3 applications were received.

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7. Corporate Governance Statement

Baringo County Executive Members Mortgage Scheme Fund remains committed to the highest standards of corporate governance and ethics in order to deliver long term and sustainable stakeholder value. It continues to adhere to its obligations as a public entity in Kenya in compliance with Code of Corporate Governance Practices.

The primary role of Baringo County Executive Members Mortgage Scheme Fund is to:

- Process applications for loans in accordance with the existing terms and conditions of borrowing;
- Liaise with the housing company (if any) to set up a revolving fund for the disbursements of the loans; and
- Supervise the day-to-day running of the Fund so as to achieve sustainable long-term success.

The Committee is solely responsible for its agenda. However, it is the responsibility of the chairman and the fund secretary to come up with the annual committee work plan and an agenda for the meetings. Baringo County Executive Members Mortgage Scheme Fund meets at least four times a year and the meetings are structured in a way that allows for open discussions. During financial year 2021-2022, the Loans Management Committee held 2 meetings. The meetings of the Committee are convened by the Chairperson or in the absence of the Chairperson, by a member designated by the Chairperson and shall be convened at such times as may be necessary for the discharge of the Committee's functions. The quorum for a meeting of the Committee shall be Chairperson and any other three members.

Comprehensive board papers are prepared and circulated to all fund committee members for all substantive agenda items at least two weeks prior to the meeting. This allows time for the committee members to undertake an appropriate review of the board papers to facilitate full and effective discussions at the meetings.

The Board Charter is critical to the funds governance framework, and offers guidance on matters including but not limited to the following; The separation of the roles, functions, responsibilities and powers of the fund management committee and its individual members; Powers delegated to the fund committees; Matters reserved for final decision-making and approval by the fund management committee; Policies and practices of the fund management on matters of corporate

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governance, committees' declarations and conflict of interest, conduct of fund and fund committee meetings; and Nomination, appointment, induction, on-going training and performance evaluation of the fund and its committees.

The committee members and chairman are obligated to fully disclose any real or potential conflict of interest, which comes to any committee's attention, whether direct or indirect. The statutory duty to avoid situations in which the committee have or may have interests that conflict with those of the fund has been observed by the board in the financial year under review. All business transactions with all parties, committee or their related parties are carried out at arm's length. An acknowledgement that should it come to the attention of a committee member that a matter concerning the fund may result in a conflict of interest, obligates the fund committee member to declare the same and exclude himself / herself from any discussion or decision over the matter in question.

Baringo County Executive Members Mortgage Scheme Fund committee members are expected to act with honesty, integrity and fairness in all their dealings with one another and with stakeholders and to respect the diverse cultures of the Kenyan people. The fund adopted Baringo County Government code of conduct. When joining the Fund management, every committee members are provided with a copy of the code and must commit to abide by its requirements.

Committee members undergo regular training and education to enable them fulfil their responsibilities. All members receive an induction upon joining. This provides an overview of the fund, new developments in the environment in which the fund operates, accounting and financial reporting developments, as well as any regulatory changes. Committee members are appointed depending on the departmental representation however the committee is made up of employees on contract and permanent terms. This ensures that there is continuity at all times. The annual financial statements of the Fund are subject to audit by the Auditor- General. Fund committee members are paid sitting allowance for every meeting attended depending on availability of funds.

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8. Management Discussion and Analysis

During the period under review, the fund did not receive additional Fund capital for onward lending to the Members from the exchequer unlike prior years. Revolving funds was utilized to fund the operations of the fund. This curtailed the operations of the fund significantly.

Total income was Ksh 1,560,822.65 (2020/2021 was Ksh 1,720,201.69). For the year under review, total expenses were Ksh 2,025 while in the year 2020/2021 it was Ksh 3,195. During the year ended 30 June 2022, the Fund realized a surplus of Ksh 1,558,797.65 compared to Ksh 1,717,006.69 in FY 2020/2021. During the year ended 30th June 2022, mortgage disbursements were Ksh 9,000,000. In the year under review, Ksh 5,048,410.16 was received as proceeds from loan principal repayments, an increase of Ksh 461,425.26 from previous year. The current portion of long-term receivables from exchange transactions was Ksh 13,037,150.21, (Ksh 10,558,810.26 in FY 2020/2021). Out of the current portion of long term receivable, interest receivable was Ksh 1,021,810.16 while current loan repayments due was Ksh 12,015,340.05. Long term receivables from exchange transactions were Ksh 46,286,287.02 (Ksh 46,126,823.18 in FY 2020/2021). Total revolving fund was Ksh 61,769,167.32 (Ksh 60,052,160.64 in FY 2020/2021). Total funds were Ksh 63,327,985.12 up from Ksh. 61,769,167.32 in the previous year. An amount of Ksh 1,482,415 was refunded back to car loan as erroneous transfers by the county payroll department.

Baringo County Executive Members Mortgage Scheme Fund is in the process of engaging financial institution to manage the fund and it is also in the process of insuring all members' loans. The major risk facing the Fund is loan default in case of the death of a member. However, this risk will be mitigated by insuring all the members' loans for the benefit of the member of the scheme. This will ensure that in the unfortunate death of a member of the Fund, the loan balance due to the Fund will be reimbursed by the insurance company. Further, the fund has never met its statutory obligation on the Fringe Benefit tax.

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

All mortgages granted to the Members are currently being recovered through the payroll check-off system from the members' monthly emolument. There is currently no major financial

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improbability as reported by internal audit/Board audit committee, external auditors, or other County Government Agencies providing oversight.

9. Environmental and Sustainability Reporting

Baringo County Executive Members Mortgage Scheme Fund exists to transform lives. We recognize that Corporate Social Investment (CSI) issues are of increasing importance to our stakeholders. Thus, a tradition that ensures we operate our business in a responsible manner at all times for the benefit of our customers, staff, suppliers, and the wider community. We exercise CSI by partnering with and investing in communities to find sustainable solutions. We also encourage employees of Baringo County Government to take part in CSI initiatives aimed at improving the standards of living of the communities that they come from. Our CSI activities for the financial year under review are disclosed herein.

1. Sustainability strategy and profile -

Sustainable efforts adopted by the fund include recycling, reducing and reuse programs. Further, the fund has adopted responsible disposal and promotion of sustainable consumption of building materials.

2. Environmental performance

Baringo County Executive Members Mortgage Scheme Fund aims to minimize any harmful effects and consider the development and implementation of environmental standards that are compatible with the topography of Baringo County. As such, we strongly encourage the internationally established 3 Rs: Reduce, Re-use and Recycle. Through the County department of Environment, the fund has a policy to guide its operations. Further, fund regulations stipulate adoption of environmentally compatible buildings and respect for environment. We seek to identify opportunities to optimise consumption of energy, water and other natural resources by striving to re-use and recycle where possible and dispose of non-recyclable items responsibly, thereby minimizing negative impact of waste on the environment.

3. Employee welfare

Hiring process is guided by the Human Resource Manual. This is undertaken by the department of Human resource after receiving request from Baringo County Executive Members Mortgage Scheme Fund. Staff is trained periodically on professional issues.

4. Market place practices

- a) Responsible competition practice.

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Baringo County Executive Mortgage Scheme Fund has maintained responsible competition practices by adopting various strategies. Code of ethics and anti- corruption declaration form is used to reduce instances of corruption malpractices. Open tenders, framework contracts and quotations are used to maintain fair competition amongst suppliers. Declaration of conflict of interest is usually adopted to avoid instances where stakeholders interfere with the activities of the fund.

b) Responsible Supply chain and supplier relations

Baringo County Executive Mortgage Scheme Fund maintains good business practices with suppliers through timely provision of information, prompt payments, good communication and proper record keeping of supplier documents. This has resulted in harmonious relationship.

c) Responsible marketing and advertisement

During members' awareness and loan recovery, Baringo County Executive Mortgage Scheme Fund ensures that advertisements are structured in such a manner that it does not infringe the rights of citizens and also ensures that confidentiality is kept.

d) Product stewardship

While making mortgage loans approval, Baringo County Executive Mortgage Scheme Fund committee ensures that members' rights and interest are protected apart from adhering to the recommended quality standards for the purpose of ensuring safety of beneficiaries.

5. **Community Engagements-**

- Training staff on mortgage loan.
- Advisory services to its members on green building technology.

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10. Report of the Fund Administration Committee

The Trustees 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 activities of the Fund are to continue in provision of loan scheme for the purchase, development, renovation or repair of residential property by members of the County Executive as prescribed by the Salaries and Remuneration Commission.

Results

The results of the Fund for the year ended June 30, 2022 are set out on page 1 to 7

Fund Administration Committee

The members of the Fund Administration Committee who served during the year are shown on page vi to vii. During the year, some changes took place in the Fund Management Committee. Joel Koima, Alexander Lomaringoria and Francis Komen left to pursue political interest. John Kisang was transferred to another department while Jane Barus joined from the department of Education.

Auditors

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

By Order of the Board



.....
Fund Administration Committee

Date:

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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 Public Finance Management Act 2012 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 Baringo County Executive Members Mortgage 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

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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

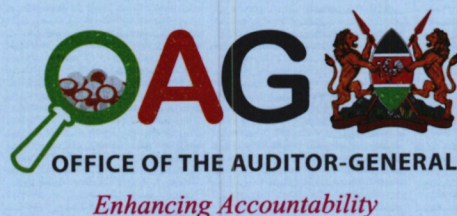
The Fund's financial statements were approved by the Board on 30/6 2022 and signed on its behalf by:


.....

Fund Administrator

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON BARINGO COUNTY EXECUTIVE MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2022

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 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 controls, 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

Adverse Opinion

I have audited the accompanying financial statements of Baringo County Executive Mortgage Scheme Fund set out on pages 1 to 26, which comprise the statement of financial position as at 30 June, 2022, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Baringo County Executive 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 do not comply with the Public Finance Management (Baringo County Executive Mortgage Scheme Fund) Regulations, 2018 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Inaccuracies in Financial Statements

The statement of cash flows reflects receipts from other operating activities amount of Kshs.821,547 whereas the statement of financial performance reflects Nil amount resulting to unexplained variance of Kshs.821,547. Further, the statement of comparison of budget and actual amounts reflects total revenue performance difference of Kshs.9,560,824 which differs with the recomputed amount of Kshs.10,439,177 resulting to unexplained variance of Kshs.878,353.

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2022 not be confirmed.

2. Unsupported Interest Income

The statement of financial performance reflects interest income amount of Kshs.1,560,823. However, the detailed interest schedules and individual account statements showing the loan movement and interest rate used to arrive at the balance was not provided for audit review.

In the circumstances, the accuracy and completeness of interest income of Kshs.1,560,823 for the year ended 30 June, 2022 could not be confirmed.

3. Outstanding Receivables from Exchange Transactions

The statement of financial position reflects current portion of long-term receivables and long-term receivables from exchange transactions balance of Kshs.13,037,150 and Kshs.46,286,287 respectively all totalling to Kshs.59,323,437. However, the detailed loan movement schedule used to arrive at the closing balances was not provided for audit. Further, the balance includes long outstanding loans of Kshs.39,208,628 in respect of eleven (11) former County Executive Committee Members and Chief Officers who have continued to default in repayment of loans since 2016. However, the Fund Administration Committee had not repossessed the acquired property or took steps to recover the long outstanding loans.

Although the recoverability of these debts is doubtful, no provision in respect of the same has been made or disclosed in these financial statements.

In the circumstances, the accuracy, recoverability and fair statement of current portion of long-term receivables and long-term receivables from exchange transactions totalling Kshs.59,323,437 as at 30 June, 2022 could not be confirmed.

4. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.992,070. However, the detailed movement schedule used to arrive at the closing balances was not provided for audit.

In the circumstances, the accuracy and completeness of trade and other payables from exchange transactions balance of Kshs.992,070 as at 30 June, 2022 could not be confirmed.

5. Inaccurate Revolving Fund Balance

The statement of financial position reflects revolving fund balance of Kshs.60,052,161 that differed with the cumulative transfers from the county government since the Fund's inception of Kshs.52,150,000 resulting to unreconciled variance of Kshs.7,902,161.

In the circumstances, the accuracy and completeness of the revolving fund balance of Kshs.60,052,161 as at 30 June, 2022 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Baringo County Executive Mortgage Scheme Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a total revenue budget and actual on comparable basis of Kshs.12,000,000 and Kshs.1,560,824 resulting to a revenue deficit of Kshs.10,439,177 or 87%. Further, the final total income budget of Kshs.12,000,000 differed with the total expenditure budget of Kshs.207,000 resulting to unbalanced budget balance of Kshs.11,793,000.

The Fund's budget was not balanced, and Management was in breach of the law.

2. Unresolved Prior Year Matters

The audit report for the year ended 30 June, 2021 highlighted several unsatisfactory matters. The Management has not provided any disclosure on progress made in resolving these issues and no information was provided to indicate if the issues were resolved or not as at 30 June, 2022. This is contrary to Section 149(2)(l) of the Public Finance Management Act, 2012, which requires that in carrying out a responsibility imposed by Subsection (1), an Accounting Officer shall, in respect of the entity concerned try to resolve any issues resulting from an audit that remain outstanding.

In the circumstances, the audit issues remained unresolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with Public Sector Accounting Standards Board Reporting Requirement

The financial statements for the Baringo County Executive Mortgage Scheme Fund for the year ended 30 June, 2022 as presented for audit were not in conformity with the template prescribed by the Public Sector Standards Board as a summary of significant accounting policies and other explanatory information was not disclosed.

In the circumstances, the financial statements as presented for audit do not comply with the Public Sector Accounting Standards Board guidelines and format.

2. Loans Issued without Mandatory Documentation

The statement of cash flows reflects loan disbursements of Kshs.9,000,000 to three (3) applicants during the year under review. However, the loans were not supported by way of loan applications, designs of house plans duly approved by the relevant Government departments, Bills of Quantities, official search for titles to the property, certified copies of sale agreements and valuation reports from registered valuers in breach of Section 9 of the Public Finance Management (Baringo County Executive Mortgage Scheme Fund) Regulations, 2018. Further, the mortgages granted to members were not approved by the Fund Administration Committee pursuant to Section 7(3) of the Fund Regulations.

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

3. Lack of Mortgage Protection Policy

The statement of financial position reflects current portion of long-term receivables and long-term receivables from exchange transactions balance of Kshs.13,037,150 and Kshs.46,286,287 respectively, all totalling Kshs.59,323,437. However, no mortgage protection policy has been taken against the assets financed or any charges registered against the properties. Further, the Fund Administration Committee did not take custody of the ownership documents and title deeds contrary to Section 19(b) of the Public Finance Management (Baringo County Executive Mortgage Scheme Fund) Regulations, 2018. This implies that the Fund may not be able to recover the outstanding loan balances in an event of default of repayments.

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

4. Lack of Approved Budget

During the year under review, the Fund did not have a budget of income and expenditure approved by the Fund Administration Committee, County Executive Committee member for finance or the County Assembly. This contravenes Section 149(2)(h) and (i) of the Public Finance Management Act, 2012 which requires the Accounting Officer to prepare estimates of expenditure of the entity in conformity with the strategic plan and submit the estimates to the County Executive Committee member for finance.

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 are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

Lack of a Risk Management and Fraud Policies

During the year under review, the Fund's Management did not have in place a risk management and fraud policy. This is contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to develop risk management strategies which include fraud prevention mechanism and internal control that builds robust business operations. Further, disaster recovery and business continuity plans were not in place.

In the absence of a risk management policy, fraud policy, disaster recovery and business continuity plans, it has not been possible to confirm whether the internal controls built within the financial and operational systems were functioning as intended during the year under review.

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 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 Fund 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 the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

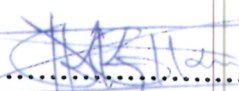
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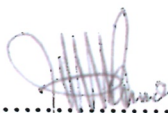
17 April, 2023

Baringo County Executive Mortgage Scheme Fund
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For the year ended June 30, 2022

13. Statement of Financial Performance for the year ended 30th June 2022

	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	1,560,822.65	1,720,201.69
Other Income	5	-	-
Total Revenue		1,560,822.65	1,720,201.69
Expenses			
Employee Costs	6	-	-
Use of goods and services	7	2,025.00	3,195.00
Depreciation and Amortization Expense	8	-	-
Finance Costs	9	-	-
Total Expenses		2,025.00	3,195.00
Other Gains/Losses			
Gain/Loss on Disposal of Assets	10	-	-
Surplus/(Deficit) For The Period		1,558,797.65	1,717,006.69


CPA, Dr Jane Barus
Administrator of the Fund
ICPAK No:21377


CPA David Rerimoi
Fund Accountant
ICPAK No:6624

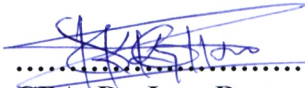
**Baringo County Executive Mortgage Scheme Fund
Annual Report and Financial Statements
For the year ended June 30, 2022**

14. Statement of Financial Position as at 30th June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	11	5,016,723.55	8,109,253.50
Current Portion of Long- Term Receivables From Exchange Transactions	12	13,037,150.21	10,558,810.26
Prepayments	13	-	-
Inventories	14	-	-
		18,053,873.76	18,668,063.76
Non-Current Assets			
Property, Plant and Equipment	15	-	-
Intangible Assets	16	-	-
Long Term Receivables from Exchange Transactions	12	46,286,287.02	46,126,823.18
		46,286,287.02	46,126,823.18
Total Assets		64,340,160.78	64,794,886.93
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	17	992,069.65	3,025,719.61
Provisions	18	-	-
Current Portion of Borrowings	19	-	-
Employee Benefit Obligations	20	-	-
Non-Current Liabilities			
Non-Current Employee Benefit Obligation	20	-	-
Long Term Portion of Borrowings	19	-	-
Total Liabilities		992,069.65	3,025,719.61
Net Assets		63,348,091.13	61,769,167.32
Revolving Fund		60,052,160.64	60,052,160.64
Reserves		-	-
Accumulated Surplus		3,275,805.34	1,717,006.69
Total Funds		63,327,964.98	61,769,167.32

**Baringo County Executive Mortgage Scheme Fund
Annual Report and Financial Statements
For the year ended June 30, 2022**

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 20/6 2022 and signed by:



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CPA, Dr Jane Barus
Administrator of the Fund
ICPAK No:21377




.....
CPA David Rerimoi
Fund Accountant
ICPAK No:6624

**Baringo County Executive Mortgage Scheme Fund
Annual Report and Financial Statements
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15. Statement of Changes in Net Assets for the year ended 30th June 2022

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2020	60,052,160.64	-	-	60,052,160.64
Surplus/(Deficit) For the Period	-	-	1,717,006.69	1,717,006.69
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2021	60,052,160.64	-	1,717,006.69	61,769,167.32
Balance As At 1 July 2021	60,052,160.64	-	1,717,006.69	61,769,167.32
Surplus/(Deficit) For the Period	-	-	1,558,797.65	1,558,797.65
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2022	60,052,160.64	-	3,275,804.34	63,327,985.12



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CPA, Dr Jane Barus
Administrator of the Fund
ICPAK No:21377



.....
CPA David Rerimoi
Fund Accountant
ICPAK No:6624


**Baringo County Executive Mortgage Scheme Fund
Annual Report and Financial Statements
For the year ended June 30, 2022**

16. Statement of Cash Flows for the Year Ended 30th June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cashflows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the county government		-	-
Interest received		1,521,953.24	1,206,022.30
Receipts from other operating activities		821,546.65	507,036.00
Total receipts		2,343,499.89	1,713,058.30
Payments			
Fund administration expenses			-
General expenses		(2,025.00)	(3,195.00)
Finance cost		-	-
Other payments(Car loan contribution refunded)		(1,482,415.00)	-
Total Payments		(1,484,440.00)	(3,195.00)
Net cash flows from operating activities	21	859,059.89	1,709,863.30
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		5,048,410.16	4,586,984.90
Loan disbursements paid out		(9,000,000.00)	-
Net cashflows used in investing activities		(3,951,589.84)	4,586,984.90
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		(3,092,529.96)	6,296,848.20
Cash and cash equivalents at 1 July 2021	11	8,109,253.50	1,812,387.29


**Baringo County Executive Mortgage Scheme Fund
Annual Report and Financial Statements
For the year ended June 30, 2022**

Cash and cash equivalents at 30 June 2022	11	5,016,723.54	8,109,235.49
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CPA, Dr Jane Barus
Administrator of the Fund
ICPAK No:21377



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CPA David Rerimoi
Fund Accountant
ICPAK No:6624

**Baringo County Executive Mortgage Scheme Fund
Annual Report and Financial Statements
For the year ended June 30, 2022**

17. Statement of Comparison of Budget and Actual Amounts for The Period

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	2022	2022	2022	2022	2022	2022
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Public Contributions And Donations	-	-	-	-	-	-
Transfers From County Govt.	7,500,000	(7,500,000)	-	-	-	-
Interest Income	2,000,000	-	2,000,000	1,560,823.65	439,176.35	78%
Other Income	10,000,000	-	10,000,000	-	10,000,000	0%
Total Income	19,500,000	(7,500,000)	12,000,000	1,560,823.65	9,560,823.65	13%
Expenses						
Fund Administration Expenses	200,000	-	200,000	-	200,000.00	0%
General Expenses	5,000	-	5,000	2,025.00	2,975.00	41%
Finance Cost	2,000	-	2,000	-	2,000.00	0%
Total Expenditure	207,000	-	207,000	2,025.00	204,975.00	20%
Surplus For The Period	19,293,000	(7,500,000)	11,793,000	1,558,797.65	9,355,848.65	13%

Budget notes

1. Transfers of Ksh 7,500,000 provided for in the Executive main budget was reallocated thus it was not received.
2. Fund administration expenses increased to Ksh 992,069.65 due to refunds of deductions for car loan posted in Mortgage account.

**Baringo County Executive Mortgage Scheme Fund
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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	-	-
Total	-	-

2. Transfers from County Government

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfers From County Govt. –Operations	-	-
Payments By County On Behalf Of The Entity	-	-
Total	-	-

3. Fines, penalties and other levies

Description	2021-2022	2020-2021
	Kshs	Kshs
Late Payment Penalties	-	-
Fines	-	-
Total	-	-

4. Interest income

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Income From Mortgage Loans	1,560,822.65	1,720,201.69
Interest Income From Car Loans	-	-
Interest Income From Investments	-	-
Interest Income On Bank Deposits	-	-
Total Interest Income	1,560,822.65	1,720,201.69

**Baringo County Executive Mortgage Scheme Fund
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Notes to the Financial Statements Continued

5. Other income

Description	2021-2022	2020-2021
	Kshs	Kshs
Insurance Recoveries	-	-
Income From Sale Of Tender Documents	-	-
Miscellaneous Income	-	-
Total Other Income	-	-

6. Employee Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries And Wages	-	-
Staff Gratuity	-	-
Staff Training Expenses	-	-
Social Security Contribution	-	-
Other	-	-
Total	-	-

7. Use of Goods and Services

Description	2021/22	2020/21
	Kshs.	Kshs.
General Office Expenses	-	-
Loan Processing Costs	-	-
Professional Services Costs	-	-
Administration Fees	-	-
Committee Allowances	-	-
Bank Charges	2,025.00	3,195.00
Electricity And Water Expenses	-	-
Printing And Stationery	-	-
Provision For Doubtful Debts	-	-
Other	-	-
Total	2,025.00	3,195.00

**Baringo County Executive Mortgage Scheme Fund
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8. Depreciation and Amortization Expense

Description	2021/22	2020/21
	Kshs.	Kshs.
Property Plant and Equipment	-	-
Intangible Assets	-	-
Total	-	-

9. Finance costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest On Bank Overdrafts	-	-
Interest On Loans From Banks	-	-
Total	-	-

10. Gain/(loss) on disposal of assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, Plant and Equipment	-	-
Intangible Assets	-	-
Total	-	-

**Baringo County Executive Mortgage Scheme Fund
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For the year ended June 30, 2022**

Notes to the Financial Statements Continued

11. Cash and cash equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Baringo County Mortgage Account	5,016,723.55	8,109,253.50
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account	-	-
Others	-	-
Total Cash And Cash Equivalents	5,016,723.55	8,109,253.50

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

Financial Institution	Account number	2021-2022	2020-2021
		Kshs	Kshs
a) Fixed Deposits Account			
Kenya Commercial Bank		-	-
Equity Bank, Etc.		-	-
Sub- Total		-	-
b) On - Call Deposits			
Kenya Commercial Bank		-	-
Equity Bank - Etc.		-	-
Sub- Total		-	-
c) Current Account			
Kenya Commercial Bank	1179329708	5,016,723.55	8,109,253.50
Bank B		-	-
Sub- Total		5,016,723.55	8,109,253.50
d) Others(Specify)			-
Cash In Transit		-	-
Cash In Hand		-	-
Sub- Total		-	-
Grand Total		5,016,723.55	8,109,253.50

**Baringo County Executive Mortgage Scheme Fund
Annual Report and Financial Statements
For the year ended June 30, 2022**

12. Receivables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Receivables		
Interest Receivable	1,021,810.16	982,940.75
Current Loan Repayments Due	12,015,340.05	9,575,869.51
Other Exchange Debtors	-	-
Less: Impairment Allowance	-	-
Total Current Receivables	13,037,150.21	10,558,810.26
Non-Current Receivables		
Long Term Loan Repayments Due	46,286,287.02	46,126,823.18
Total Non- Current Receivables	46,286,287.02	46,126,823.18
Total Receivables From Exchange Transactions	59,323,437.23	56,685,633.43

Additional disclosure on interest receivable

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Receivable		
Interest receivable from current portion of long-term loans of previous years	681,858.69	514,179.38
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	339,951.47	468,761.37
Current loan repayments due		
Current portion of long-term loans from previous years	3,062,938.50	4,164,004.49
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	2,638,968.70	5,551,664.02

13. Prepayments

Description	2021-2022	2020-2021
	Kshs	Kshs
Prepaid Rent	-	-
Prepaid Insurance	-	-
Prepaid Electricity Costs	-	-
Other Prepayments (Specify)	-	-
Total	-	-

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14. Inventories

Description	2021-2022	2020-2021
	Kshs	Kshs
Consumable Stores	-	-
Spare Parts And Meters	-	-
Catering	-	-
Other Inventories	-	-
Total Inventories At The Lower Of Cost And Net Realizable Value	-	-

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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
At 1st July 2020	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
At 30th June 2021	-	-	-	-	-
At 1st July 2021					
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
Depreciation And Impairment					
At 1 st July 2020	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30th June 2021	-	-	-	-	-
At 1st July 2021					
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-

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	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
Transfer/Adjustment	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
Net Book Values					
At 30th June 2021	-	-	-	-	-
At 30th June 2022	-	-	-	-	-

**Baringo County Executive Mortgage Scheme Fund
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Notes to The Financial Statements (Continued)**

16. Intangible assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Cost		
At Beginning Of The Year	-	-
Additions	-	-
At End Of The Year	-	-
Amortization And Impairment		
At Beginning Of The Year	-	-
Amortization	-	-
At End Of The Year	-	-
Impairment Loss	-	-
At End Of The Year	-	-
NBV	-	-

17. Trade and other payables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade Payables	-	-
Refundable Deposits	-	-
Car loan funds in mortgage account	462,647.00	1,673,026.00
Overpayments of Principal amount-prepayments	529,422.65	1,352,693.61
Total Trade and other Payables	992,069.65	3,025,719.61

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At The Beginning Of The Year (1.07.2021)	-	-	-	-
Additional Provisions	-	-	-	-
Provision Utilised	-	-	-	-
Change Due To Discount And Time Value For Money	-	-	-	-
Transfers From Non -Current Provisions	-	-	-	-
Balance At The End Of The Year (30.06.2022)	-	-	-	-

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Notes to the Financial Statements (Continued)**

19. Borrowings

Description	2021-2022	2020-2021
	Kshs	Kshs
Balance At Beginning of The Period	-	-
External Borrowings During the Year	-	-
Domestic Borrowings During the Year	-	-
Repayments Of External Borrowings During the Period	-	-
Repayments Of Domestic Borrowings During the Period	-	-
Balance At End of The Period	-	-

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

	2021-2022	2020-2021
	Kshs	Kshs
External Borrowings		
Dollar Denominated Loan	-	-
Sterling Pound Denominated Loan	-	-
Euro Denominated Loan	-	-
Domestic Borrowings		
Kenya Shilling Loan From KCB	-	-
Kenya Shilling Loan from Barclays Bank	-	-
Kenya Shilling Loan from Consolidated Bank	-	-
Borrowings From Other Government Institutions	-	-
Total Balance at End Of The Year	-	-

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

Description	2021-2022	2020-2021
	Kshs	Kshs
Short Term Borrowings(Current Portion)	-	-
Long Term Borrowings	-	-
Total	-	-

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20. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	2021-2022	2020-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
Total	-	-	-	-	-

21. Cash generated from operations

	2021-2022	2020-2021
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	1,558,797.65	1,717,006.69
Adjusted For:		
Depreciation		-
Amortisation		-
Gains/ Losses On Disposal of Assets		-
Interest Income	(1,521,953.24)	(514,179.38)
Finance Cost		-
Working Capital Adjustments		
Increase In Inventory		-
Increase In Receivables		-
Increase In Payables	822,214.59	507,035.99
Net Cash Flow From Operating Activities	859,059.89	1,709,863.30

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Other Disclosures

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 is related to the following entities:

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Board of Trustees;etc

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
Board Of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

	2021-2022	2020-2021
	Kshs	Kshs
Due From Parent Ministry	-	-
Due From County Government	-	-
Total	-	-

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Other Disclosures Continued

e) Due to related parties

	2021-2022	2020-2021
	Kshs	Kshs
Due To Parent Ministry	-	-
Due To County Government	-	-
Due To Key Management Personnel	-	-
Total	-	-

23. Contingent assets and contingent liabilities

Contingent Liabilities	2021-2022	2020-2021
	Kshs	Kshs
Court Case Baringo County Executive Mortgage Scheme Fund against The Fund	-	-
Bank Guarantees	-	-
Total	-	-

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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 entity's management based on prior experience and their assessment of the current economic environment.

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-

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Bank Balances	-	-	-	-
Total	-	-	-	-
At 30 June 2021				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-

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

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

b) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-

**Baringo County Executive Mortgage Scheme Fund
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Total	-	-	-	-
At 30 June 2021				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-

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 fund has no 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.

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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
At 30 June 2021			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ Receivables	-	-	-
Liabilities			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
Net Foreign Currency Asset/(Liability)	-	-	-

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
2022			
Euro	10%	-	-
USD	10%	-	-
2021			
Euro	10%	-	-
USD	10%	-	-

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ii. Interest rate risk

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

Management of interest rate risk

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

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.

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:

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-
	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

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19. Progress on Follow Up of Prior Year Auditor's Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

The previous audit issue have not yet been resolved.

