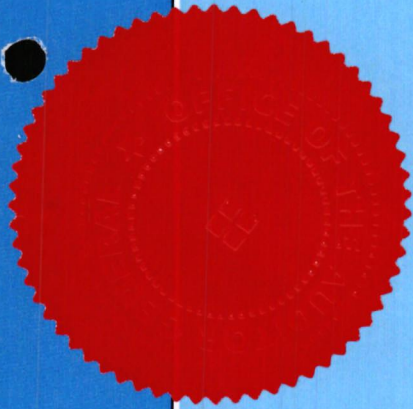
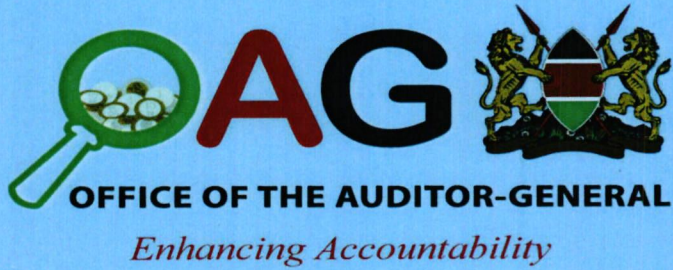


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REPORT

OF

THE AUDITOR-GENERAL

ON

**BARINGO COUNTY COOPERATIVE
DEVELOPMENT FUND**

**FOR THE YEAR ENDED
30 JUNE, 2021**



**BARINGO COUNTY GOVERNMENT
BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2021**

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

**Reports and Financial Statements
For the year ended June 30, 2021**

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1. KEY FUND INFORMATION AND MANAGEMENT

a) Background information

Baringo County Co-operative Development Fund was established by Baringo County government and derives its authority and accountability from "Baringo County Co-operative Development Fund) Regulations 2014"

The Fund is wholly owned by the Baringo County Government.

The fund's objective is to allow the County Executive to make lending to Co-operative Societies in the County

The Fund's principal activity is to lend money to the Co-operative Societies in the County

The Fund's primary activity is to facilitate projects funded by Co-operative Societies based on their project proposal or business plan

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to

1. (1) The purpose and objective of the Fund shall be to provide loans to co-operative societies to strengthen the institutional capacity, and enhance business competitiveness and without prejudice to the generality of the foregoing the objectives shall include-
 - a. Issuing of loans to finance viable project proposals prepared by eligible societies in the County.
 - b. Contribution to accelerated growth and development of Co-operative societies in the County.
 - c. Contribution to creation of employment and alleviation of poverty in the County.
 - d. Improvement of profitability and sustainability of business ventures in co-operative societies;
 - e. The promotion of access to affordable credit facilities to small-scale Co-operators .

**Reports and Financial Statements
For the year ended June 30, 2021.**

c) The Fund administration Committee

Sl. No.	Name	Position
1	Clement Lomaringoria	Chairman of the Board
2	John Kisang	Chief Officer, Finance
3	Moses Lokidor	Chief Officer, Department of Industry, Commerce, Enterprise and Co-operative Development
4	Peter C. Kilel	County Co-operative Commissioner
5	Stephen Chemjor	Representing BCCU
6	Farida Toma Haji	Representing, Boresha Sacco Society Ltd
7	Pamela KoskeiKimeto	Representing BAMSCOS - Dairy and Livestock Co-operatives

d) Key Management

Sl. No.	Position	Name
1	Fund Administrator	John Kisang
2	Fund Accountant	George Kiprotich

e) Fiduciary Oversight Arrangements

Sl. No.	Entity	Name
1	Directorate Internal Audit	James Rotich

**Reports and Financial Statements
For the year ended June 30, 2021.**

f) Registered Offices

P.O. Box 53-30400 Kabarnet
Mwalimu Plaza Building
KabarnetMwalimu PlazaRoad Avenue/Road/Highway
KABARNET

g) Fund Contacts

Telephone: (254) 722442398
E-mail: mlokdor@yahoo.com
Website: baringocounty.go.ke

h) Fund Bankers

Boresha Sacco Society Ltd
P.O. box 538.
Kabarnet.
Account Number **50451152201**

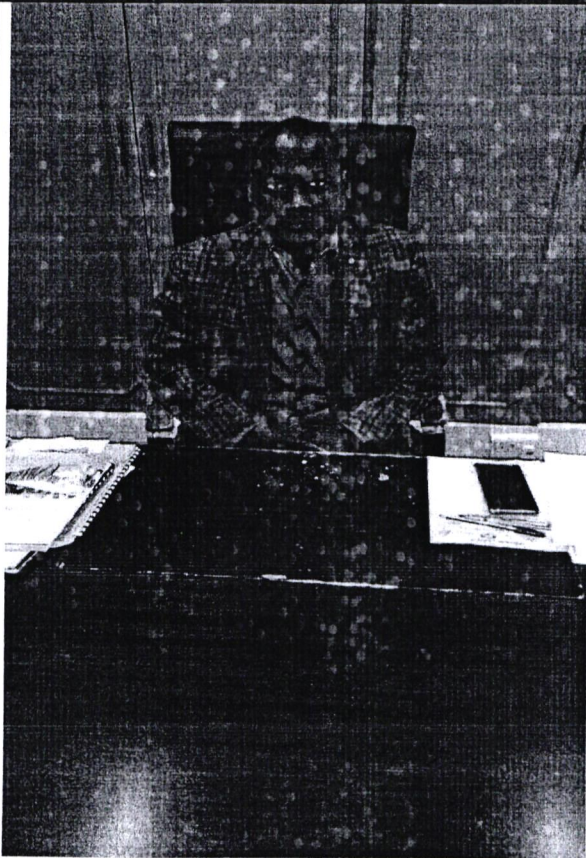

i) Independent Auditors

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


j) Principal Legal Adviser

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

2. THE FUND ADMINISTRATION COMMITTEE

Name of the member		The Fund's Qualification and Experience	
1		<p>Date of Birth: 20/7/1978</p> <p>Academic and professional qualifications: Bachelor of Education</p> <p>Work experience: School Principal before appointment as County Executive Committee member for Industry, Commerce, Enterprises and Co-operatives</p> <p>Executive Chairman: Baringo County Co-operative Development Fund</p>	
2		<p>Date of Birth: 01/02/1978</p> <p>Academic and professional qualifications:</p> <p>Work experience: Chief officer for Industry, Commerce, Enterprises and Co-operatives</p> <p>Fund administrator: Baringo County Co-operative Development Fund</p>	

**Reports and Financial Statements
For the year ended June 30, 2021.**

3		<p>Name Mos es Lokidor</p>
		<p>Date of Birth:1972</p>
		<p>Academic and professional qualifications:Bachelor of Science, Natural Resources Management, Egerton University and Senior Management Course (SMC) at Kenya School of Government Baringo Campus.</p>
		<p>Work experience: Chief Officer for Mining before appointment as Chief Officer for Finance</p>
		<p>Committee member: Baringo County Co-operative Development Fund</p>
		<p>Name: John KisangKiptoo</p>

4



Year of Birth: 1962

Key Qualifications:

Masters in Development

Studies (Uo Maharishi

Dayanand (Rohtak) India.)

Strategic Leadership

Programme 52 (KSG,

Lower Kabete)



WORK EXPERIENCE

County Co-operative

Commissioner

Perter Kilel, County Co-operative Commissioner

**Reports and Financial Statements
For the year ended June 30, 2021.**

<p>5</p>	 <p>Stephen Chemjor, Baringo County o-operative Union</p>	<p>Year of Birth:1966</p> <p>Key Qualifications: Degree in bachelor of arts community Development and sociology.</p> <p>Work experience Child Fund Kenya -manager-1993-2007 Programme coordinator UNDP-2009-2013 Development consultant-Farmer and Business man</p>
<p>6</p>	 <p>Farida Haji, Boresha Sacco Society Ltd</p>	<p>Date of Birth:1966</p> <p>Key Qualifications: O level Teacher (ATSI)</p> <p>Work experience; Boreshasacco Board of Management(director)</p>

6



Pamela Koskei Kimeto, Bamscos Ltd

Date of Birth: 1969

Key Qualifications:

Education O level

Profession : Secretary

Work Experience

Worked in private sector

1993-1997

1997-2008 Electoral

Commission of Kenya.

3. STATEMENT OF PERFORMANCE AGAINST COUNTY FUND PREDETERMINED OBJECTIVES

The key development objective of the Baringo County Co-operative Development Fund for F/Y 2020/2021 plan was to:

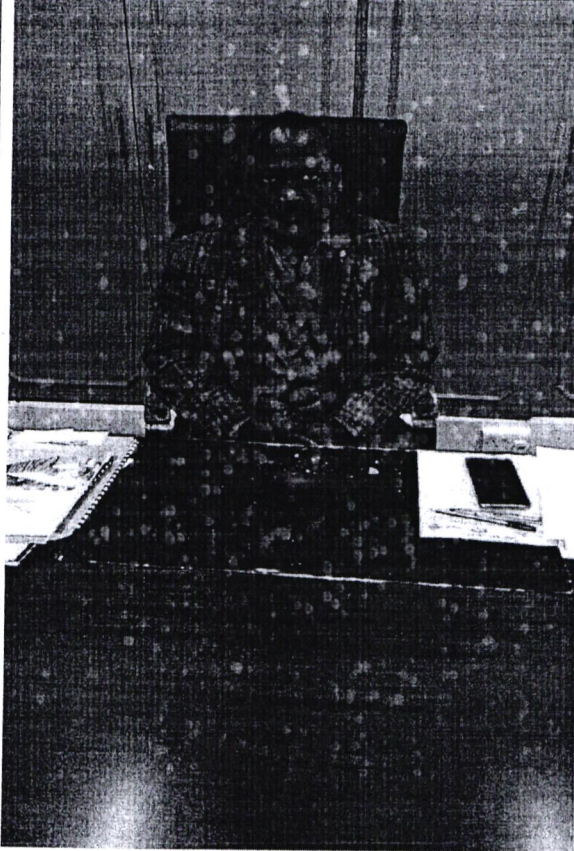

- a) Follow up of Co-operative Societies on loan repayment.

Progress on attainment of Strategic development objectives (Adopted from Baringo County Co-operative Development Fund,

Below we provide the progress on attaining the stated objectives:

Baringo County Co-operative Development Fund	To support Growth and development of Co-operative Societies projects	Provide loans to Co-operative projects in Baringo County	15 % of projects funded and implemented	There was increase in loan recoveries from Co-operative Societies by 20%.
Baringo County Co-operative Development Fund	To realize the economic, cultural and social needs of the organization members and its surrounding community	Market of agricultural product is readily available	Ready market for goods and services	50% increase in sale of agriculture product by community

4. MANAGEMENT TEAM

1.		<p>Date of Birth:20/7/1978</p> <p>Academic and professional qualifications:Bachelor of Education</p> <p>Work experience: School Principal before appointment as County Executive Committee member for Industry, Commerce, Enterprises and Co-operatives</p> <p>Executive Chairman: Baringo County cooperative development Fund</p> <p>Name Clement Lomaringoria</p>
2		<p>Date of Birth:01/02/1978</p> <p>Academic and professional qualifications:</p> <p>Work experience: Chief officer for Industry, Commerce, Enterprises and Co-operatives</p> <p>Fund administrator: Baringo County cooperative development Fund</p> <p>Name Moses Lokidor</p>

3



Date of Birth: 1972

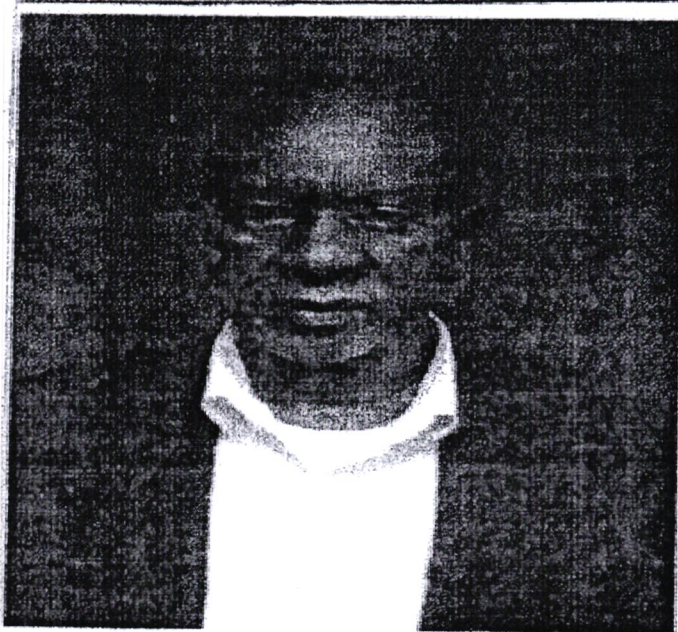
Academic and professional qualifications:

Work experience: Chief Officer for Mining before appointment as Chief Officer for Finance

Committee member: Baringo County cooperative development Fund

Name John Kisang

4



Year of Birth: 1962

Key Qualifications: Masters in Development Studies (Uo Maharishi Dayanand (Rohtak) India,)

Strategic Leadership Programme 52 (KSG, Lower Kabete)

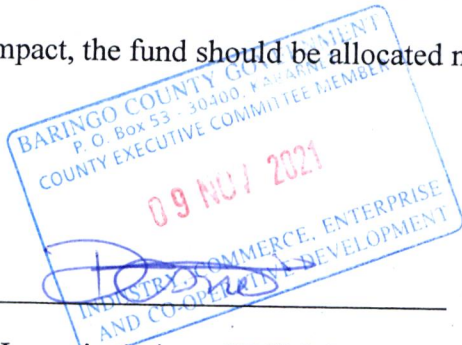
County Commissioner

Co-operative

5. FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT

FUND CHAIRPERSON'S REPORT

During the year under review, the Fund did witness only **one change** in the composition of its board and management team. The Fund regulation provides for the County Executive Committee member for Cooperative to be the Chairperson of the Fund Committee. With the transfer of CECEM, Hon. Dr. David Sergon to the department of Education it meant he ceased to be the Chair of the Fund. His successor, the current CECEM, Hon Clement Lomaring'oria is now Chairperson. Despite financial constraints, the fund was able to utilize the available resources at its disposal to meet its objectives. Total revenue was ksh50,644 while total expenses were ksh402,628. For a fruitful impact, the fund should be allocated more funds.



Signed: _____

Clement Lomaring'oria , CECEM Department of Industrialization, Commerce, Enterprise and Co-operative Development

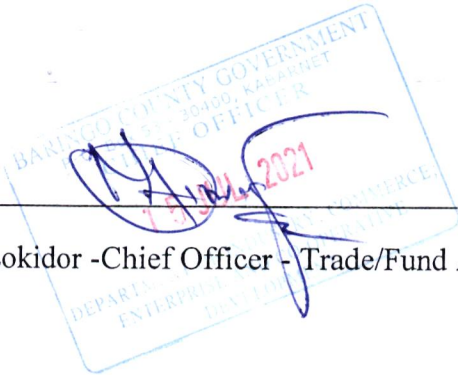
**Reports and Financial Statements
For the year ended June 30, 2021.**

6. REPORT OF THE FUND MANAGER/ ADMINISTRATOR

The performance of the fund was low due to limited resources hence could not meet the funds objectives as stipulated in the law. Total revenue was ksh50,644/= while total expense was 402,628/= and out of which there were nil transfer from county government. In addition there were increase in loan recoveries from cooperative development fund by 20%

Signed: _____

Moses Lokidor -Chief Officer - Trade/Fund Administrator



7. CORPORATE GOVERNANCE STATEMENT

There were not meetings held in the period

Commissioner for Co-operatives issued a circular banning meeting during covid 19 pandemic. Funds in the account were not adequate to carry out series of meetings and issue loans from the Fund account.

The current Fund Committee were appointed and gazetted in March 2020. They are in office for a period of three years and are eligible for reappointment for one more term.

There have been no conflict of interests, but if any arises, Baringo County laws shall apply.

The loan granted to a co-operative society under these regulation, shall carry an interest rate of 8% per cent per annum. 3% shall be used for administrative purposes while 5% will be plough back to the fund.

**Reports and Financial Statements
For the year ended June 30, 2021.**

8. MANAGEMENT DISCUSSION AND ANALYSIS

Baringo county cooperative development fund regulation 2020 section 13 requires that, "A loan issued under these regulation shall be fully paid within three years in accordance with the loan agreement entered into between the county government and the cooperative society".

The performance of the fund during the year under review was low due to limited resources hence could not meet the funds objectives as stipulated in the law. COVID-19 pandemic negatively affected the businesses of the co-operative societies hence low repayment of the disbursed loans. Total revenue was ksh 50,644.00, Administrative cost of ksh.162,200 and bank charges were ksh 10,428.

Signed: _____

Moses Lokidor

Fund Administrator



9.REPORT OF THE FUND ADMINISTRATION COMMITTEE

9.1 Principal activities

The principal activities of the Fund are

The key development objectives of the Baringo County Co-operative Development Fund's June 2021 plan are to:

- a) Follow up of Co-operative Societies on loan repayment

Progress on attainment of Strategic development objectives (Adopted from Baringo County Co-operative Development Fund,

Below we provide the progress on attaining the stated objectives:

Baringo County Co-operative Development Fund	To support Growth and development of Co-operative Societies projects	Provide loans to Co-operative projects in Baringo County	15 % of projects funded and implemented	In FY 20/21 we in creased loan re coveries from Co-operative Societies by 20%.
--	--	--	---	---

9.2 Performance

The performance of the Fund for the year ended June 30, 2021, are set out on page 11

9.3 Trustees

The members of the Fund Administration committee who served during the year are shown at page 6 to 10.

The changes in the Board during the financial year are as follow;

The Chairmanship changed from Hon. Dr. David Serгон to Hon. Clement Lomaringoria

**Reports and Financial Statements
For the year ended June 30, 2021.**

9.4 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.

Baringo County Co-operative Development Fund

Sign: _____

Name: _____

Chair of the Fund _____

Date: _____



10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of Baringo County Co-operative Development Fund regulation 2014 established by the *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 Baringo County Co-operative Development Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. This responsibility includes:

- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) safeguarding the assets of the Fund;
- (v) selecting and applying appropriate accounting policies; and
- (vi) making accounting estimates that are reasonable in the circumstances.

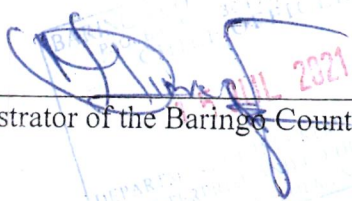
The Administrator of the Baringo County Co-operative Development Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Baringo County co-operative Development Fund Regulations 2014. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

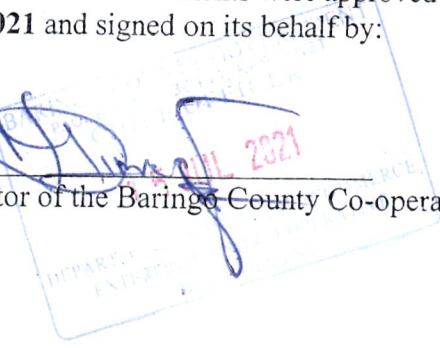
**Reports and Financial Statements
For the year ended June 30, 2021.**

Approval of the financial statements

The Fund's financial statements were approved by the co-operative Fund administration Committee on 15/07/2021 and signed on its behalf by:

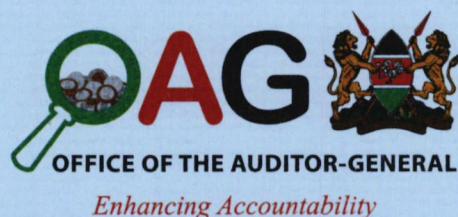


Administrator of the Baringo County Co-operative Development Fund



REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON BARINGO COUNTY COOPERATIVE DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal 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 Cooperative Development Fund set out on pages 23 to 61, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of

comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Baringo County Cooperative Development Fund as at 30 June, 2021, 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 Cooperative Development Fund (Amendment) Regulations, 2020 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1.0 Inaccuracies in Financial Statements

A review of the financial statements submitted for audit revealed the following anomalies:

i. Inaccurate Loan Interest Calculation

The corporate governance statement indicates that a loan interest of 8% is charged on loans instead of 5% provided for in the Regulation.

In view of this, the accuracy of the loan interest as calculated could not be confirmed.

ii. Inaccurate Dating of the Statement of Management Responsibilities

The statement of Management responsibilities refers to the financial year ended 30 June, 2020 instead of 30 June, 2021.

2.0 Inaccurate Comparative Figures and Balances

The comparative figures reflected in the financial statements vary with the closing balances of the 2019/2020 audited figures as shown below:

Component	Financial Statements Comparative Figures 30 June, 2021 (Kshs.)	Audited Figures 30 June, 2020 (Kshs.)	Variance (Kshs.)
Statement of Financial Performance			
Total Revenue	922,116	4,867,778	(3,945,662)
Surplus/ Deficit for the Period	744,896	4,690,558	(3,945,662)
Statement of Financial Position			
Cash and Cash Equivalents	4,690,588	18,639,375	(13,948,787)
Suspense	786,824	0	786,824
Total Assets	5,477,382	18,639,375	(13,161,993)

Component	Financial Statements Comparative Figures 30 June, 2021 (Kshs.)	Audited Figures 30 June, 2020 (Kshs.)	Variance (Kshs.)
Net Assets	-	18,639,375	(18,639,375)
Revolving Fund	3,946,662	0	3,946,662
Reserves	-	13,948,817	(13,948,817)
Accumulated Surplus	1,530,720	4,690,558	(3,159,838)
Total Net Assets and Liabilities	5,477,382	18,639,375	(13,161,993)
Statement of Changes in Net Assets			
Revolving Fund	3,946,662	0	3,946,662
Accumulated Surplus	1,530,720	18,639,375	(17,108,655)
Total	5,477,382	18,639,375	(13,161,993)
Statement of Cash Flows			
Cash and Cash Equivalents at 1 July, 2020	4,690,558	3,945,660	744,898
Cash and Cash Equivalents at 30 June, 2020	5,435,454	4,690,558	744,896

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

3.0 Unsupported Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.5,488,458 relating to bank account maintained at a SACCO Society. This was contrary to Regulation 82(1) Public Finance Management (County Governments) Regulations, 2015 which stipulates that all County Government bank accounts shall be opened at the Central Bank.

In addition, cash amount of Kshs.162,200 was withdrawn from the bank. However, payment vouchers in support of the withdrawals were not provided for audit verification. This is contrary to Regulation 104(1) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that all receipts and payments vouchers of public moneys shall be properly supported by pre-numbered receipt and payment vouchers and shall be supported by the appropriate authority and documentation. The validity of the withdraws was therefore not confirmed.

In the circumstance, the accuracy, completeness, and safe custody of the cash and cash equivalent balance of Kshs.5,488,458 as at 30 June, 2021 could not be confirmed.

4.0 Unsupported Interest Income

The statement of financial performance reflects interest income of Kshs.50,644 which relates to interest income on bank deposits as reflected in Note 4 to the financial statements. However, the interest income was not supported with fixed deposit receipts and bank statements.

In the circumstances, the accuracy and completeness of interest income of Kshs.50,644 could not be confirmed.

5.0 Unsupported General Expenses

The statement of financial performance reflects general expenses of Kshs.240,428 which include an expenditure of Kshs.230,000 whose payment vouchers were not provided for audit verification.

In the circumstances, the accuracy and completeness of the general expenses expenditure of Kshs.240,428 could not be confirmed.

6.0 Undisclosed Transfer to the Revolving Fund

The statement of financial position reflects revolving fund balance of Kshs.3,946,662. However, a review of documents provided for audit revealed that the County Government of Baringo transferred a total of Kshs.21,690,599 on various dates to the Fund. However, the transferred funds have not been disclosed in the Fund's financial statements.

In the circumstances, the accuracy of Kshs.3,946,662 in respect of the transfer to the revolving fund could not be confirmed.

7.0 Unexplained and Unreconciled Suspense Balance

The statement of financial position reflects a suspense balance of Kshs.363,060 which was not explained or reconciled.

In the circumstances, the accuracy of the suspense balance totaling Kshs.363,060 could not be confirmed.

8.0 Undisclosed Receivables from Exchange Transactions – Loans to Cooperative Societies

The statement of financial position reflects Nil balance for the current portion of long-term receivables from exchange transactions that relate to loans to the Co-operative Societies. Review of records indicates that twenty (20) Cooperative Societies were issued with loans totaling Kshs.19,100,000 for a period of three (3) years. The Societies have not been servicing the loans. Further, the outstanding loans have not been disclosed in the financial statements and no provision has been made on bad and doubtful dates. Further, Management has not taken any measures including initiating civil proceedings to recover the loans.

In the circumstances, the accuracy of the Nil balance for the current portion of long-term receivables from exchange transactions could not be confirmed and the recoverability loans totaling to Kshs.19,100,000 is doubtful.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Baringo County Cooperative Development 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 adverse opinion.

Key Audit Matters

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

Other Matter

1.0 Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board.

2.0 Budgetary Control and Performance

The statement of financial performance reflects total revenue and expenditure of Kshs.50,644 and Kshs.402,628 respectively. However, the balances vary with the Kshs.Nil balances reflected in the statement of comparison of budget and actual amounts. Further, the budget of income and expenditure for the Fund was not prepared in accordance with Regulation 19(1) of the Public Financial Management (Baringo County Cooperative Development Fund) Regulations 2014.

In the circumstance, the revenue received and expenditure incurred during the year are unauthorized and the Management was in breach of the law.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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 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 Risk Management Policy and strategy

The Fund Management had not put in place risk management policy, strategies, and risk register to mitigate against risk. It was, therefore, not clear how management manages risk exposures. This was contrary to Regulation 158(1)(a) and (b) of the public Finance Management (county Government) Regulation, 2015 which requires the Accounting Officer to ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism; and the county Government entity develops a system of risk management and internal controls that builds robust business operations. During the year under review, the Fund did not have a risk management policy.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires 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 (Cash 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 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 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 controls 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 controls would not necessarily disclose all matters in the internal controls 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- 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 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 controls that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

22 September, 2022

Report of the Auditor-General on Baringo County Cooperative Development Fund for the year ended 30 June, 2021

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12. FINANCIAL STATEMENTS

12.0 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2021.

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	50,644.00	-
Other income	5	0	922,116
Total revenue		50,644.00	922,116
Expenses			
Fund administration expenses	6	162,200.00	-
General expenses	7	240,428.00	177,220
Bank Charges	8	-	
Total expenses		402,628	177,220
Other gains/losses			
Gain/loss on disposal of assets	9		
Surplus/(deficit)for the period		(351,984)	744,896


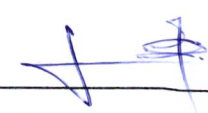
Reports and Financial Statements
For the year ended June 30, 2021.

12.1 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

2020/2021			
Assets			
Current assets			
Cash and cash equivalents	10	5,488,458.00	4,690,558.00
Current portion of long- term receivables from exchange transactions	11	-	-
Receivables from Non- exchange transactions	12	-	-
Prepayments	13	-	-
Inventories	14	-	-
suspense		-363,060	786,824
Non-current assets			
Long term receivables from exchange transactions	11	-	-
Property, plant and equipment	15	-	-
Intangible assets	16	-	-
		-	-
Total assets		5,125,398.0	5,477,382
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	-	-
Provisions	18	-	-
Current portion of borrowings	19	-	-
Employee benefit obligations	20	-	-
Non-current liabilities			
Long term portion of borrowings	19	-	-
Non-current employee benefit obligation	20	-	-
Total liabilities			
Net assets			
Revolving Fund		3,946,662.00	3,946,662.00
Reserves		-	0
Accumulated surplus		1,178,736	1,530,720
Total net assets and liabilities		5,125,398	5,477,382

Reports and Financial Statements
For the year ended June 30, 2021.

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 10/07/2021 and signed by:


Administrator of the Fund
Name:
Moses Lokidor
Fund Accountant
Name:
George Kiprotich
ICPAK Member Number: 18980

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12.2 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021

Balance as at 1 July 2019	3,946,662.00		785,824	4,732,486
Surplus/(deficit) for the period	-		744,896	744,896
Funds received during the year	-		-	-
Revaluation gain	-		-	-
Balance as at 30 June 2020	3,946,662.00		1,530,720	5,477,382
Balance as at 1 July 2020	3,946,662.00		1,530,720	5,477,382
Surplus/(deficit) for the period			(351,984)	(351,984)
Funds received during the year			-	-
Revaluation gain			-	-
Balance as at 30 June 2021	3,946,662.00		1,178,736	5,125,398

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12.3 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Receipt from other activities		0	922,116
Interest income		50,644.00	-
Total Receipts		50,644.00	922,116
Payments			
Tax expenses		-	-
Fund administration expenses		162,200	-
General expenses operations		240,428	177,220
Total Payments		402,628.00	177,220
Net cash flows from operating activities		(351984)	744,896
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
Net cash flows used in investing activities		-	-
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 and cash equivalents		(351984)	744,896
Cash and cash equivalents at 1 JULY 2020	10	5,435,454.00	4,690,558
Cash and cash equivalents at 30 JUNE 2021	10	5,083,470.00	5,435,454.00

12.4 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2021.

Revenue	KShs	KShs	KShs	KShs	
Public contributions and donations	-	-	-	-	-
Transfers from County Govt.	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	-	-
Reversal to account	-	-	-	-	-
Total income	-	-	-	-	-
Expenses					
Bank Charges		-	-	-	-
Loans to be given out	-	-	-	-	-
General expenses- operations	-	-	-	-	-
Finance cost/Tax Expenses	-	-	-	-	-
Total expenditure	-	-	-	-	-
Surplus for the period	-	-	-	-	-

12.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

Standard/Amendments Applicable from January 2021	Impact
a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks	There was no impact of the amendment to IPSAS 13 with respect to the current financial report
b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS) was approved	There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the fund did not apply any of the transitional provisions in the FY 2020/2021
c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.	There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating assets.
d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard	

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</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 fund’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 fund’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representative and comparability of the information that a reporting fund 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>

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	<p>(a) The nature of such social benefits provided by the fund;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the fund's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>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.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>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> <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>

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Early adoption of standards

The fund did not early – adopt any new or amended standards in year 2020.

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government funds

Revenues from non-exchange transactions with other government funds 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 fund 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.

4. Budget information

The original budget for FY 2020/2021 was approved by the County Assembly on 30th June 2020. 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 fund upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund did not record additional appropriations the FY 2020/2021 budget following the governing body's approval.

The fund'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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

5. 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 fund 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.

2. 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Financial instruments

a) Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a fund of financial assets is impaired. A financial asset or a fund of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

asset or the fund of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a fund of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

b) Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

4. 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Fund .

5. Provisions

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

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

Contingent liabilities

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

The Fund does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund 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.

6. Changes in accounting policies and estimates

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

7. Employee benefits – Retirement benefit plans

The Fund provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which fund pays fixed contributions into a separate 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actually valued tri-annually on the projected unit credit method.

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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.

8. 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.

9. 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.

10. Related parties

The Fund regards a related party as a person or an fund with the ability to exert control individually or jointly, or to exercise significant influence over the fund, or vice versa. Members of key management are regarded as related parties and comprise the Fund Administrator and Fund Accountant.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. 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 various commercial banks at the end

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of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imp rests and advances to authorized public officers and institutions which were not surrendered or accounted for at the end of the financial year.

12. Comparative figures

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

13. Events after the reporting period

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

14. Ultimate and Holding Fund

The fund is established by section 116(1) of the Public Finance Management Act 2012 that made Baringo county cooperative development fund 2014 regulation under the Department of Industrialization, Commerce, Enterprise and Its ultimate parent is the County Government of Baringo .

15. Currency

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16. Significant judgments and sources of estimation uncertainty

The preparation of the Fund'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 judgement, 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 fund 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 Fund . 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 Fund
- 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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

At 30 June 2021				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
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 collectible amounts that the fund has recognized 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

At 30 June 2021				
Trade payable	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total				
At 30 June 2021	-	-	-	-
Trade payable	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the fund 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 fund'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 optimizing 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 fund's exposure to market risks or the manner in which it manages and measures the risk.

d) Foreign currency risk

The fund has transaction 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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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

2021			
Euro	-	-	-
USD	-	-	-
2020			
Euro	-	-	-
USD	-	-	-

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) 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 fund'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 endeavor 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.

f) 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 fund capital structure comprises of the following funds:

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	(351,984)	-
Total funds	(351,984)	-
	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

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13. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

DESCRIPTION	2021/2021	2020/2020
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

2. Transfers from County Government

DESCRIPTION	2021/2021	2020/2020
Transfers from County Govt. – operations	-	-
Payments by County on behalf of the fund	-	-
Total	-	-

3. Fines, penalties and other levies

DESCRIPTION	2021/2021	2020/2020
Late payment penalties	-	-
Fines	-	-
Levies	-	-
Licence	-	-
Total	-	-

4. Interest income

DESCRIPTION	2021/2021	2020/2020
Interest income from Mortgage loans	-	-
Interest income from car loans	-	-
Interest income from investments	-	-
Interest income on bank deposits	50,644.00	-
Total interest income	50,644.00	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Other income

Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income (other income)	-	922,116
Total other income	-	922,116

6. Fund administration expenses

Staff costs (Note 6a)	-	-
Loan processing costs	-	-
Professional services costs	-	-
Administration cost	162,200	-
Total	162,200	-

6A. Staff costs

Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
Total	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. General expenses

Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Tax in Bank interest	-	-
Bank Charges	10,428.00	36,770
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses General	230,000.00	140,450
Total	240,428.00	177,220

-

8. Finance costs

Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Total	-	-

9. Gain/(loss) on disposal of assets

Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Cash and cash equivalents

Car loan account	-	-
Baringo County Co-operative Development Fund Account	5,488,458.00	4,690,558
Fixed deposits account	-	-
On – call deposits	-	-
Current account	-	-
Others	-	-
Total cash and cash equivalents	5,488,458.00	4,690,558

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

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		-	-
Boreshasacco	50451152201	5,488,458.00	4,690,558
Sub- total		-	-
d) Others(specify)		-	-
Cash in transit		-	-
Cash in hand		-	-
Mobile Money		-	-
Sub- total		-	-
Grand total		5,488,458.00	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Receivables from exchange transactions

RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Current Receivables		
Interest receivable	-	-
Current loan repayments due	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total Current receivables	-	-
	-	-
Non-Current receivables	-	-
Long term loan repayments due	-	-
Total Non- current receivables	-	-
Totalreceivables from exchange transactions	-	-

Additional disclosure on interest receivable

ADDITIONAL DISCLOSURE ON INTEREST RECEIVABLE		
Interest receivable		
Interest receivable from current portion of long-term loans of previous years	-	-
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	-	-
Current loan repayments due	-	-
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Receivables from Non-Exchange transaction

Transfer from County Executive	-	-
Transfer from Baringo county cooperative development Fund	-	-
Totalreceivables from non-exchange transactions	-	-

13. Prepayments

Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments	-	-
Total	-	-

14. Inventories

Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
Other inventories	-	-
Total inventories at the lowerofcostandnetrealizablevalue	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Property, plant and equipment

	Land and Buildings		Furniture and fittings		Motor vehicles	
	KSs	US\$	KSs	US\$	KSs	US\$
At 1st July 2019	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-
At 30th June 2020	-	-	-	-	-	-
At 1st July 2020	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-
At 30th June 2021	-	-	-	-	-	-
Depreciation and impairment	-	-	-	-	-	-
At 1 st July 2019	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
At 30th June 2020	-	-	-	-	-	-
At 1st July 2020	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-

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	Building					
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
At 30 th June 2021	-	-	-	-	-	-
Net book values	-	-	-	-	-	-
At 30 th June 2020	-	-	-	-	-	-
At 30 th June 2021	-	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

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

Trade payable	-	-
Refundable deposits		-
Accrued expenses	-	-
Other payable	--	-
Total trade and other payable	-	-

18. Provisions

Balance at the beginning of the year (1.07.2020)	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilized	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Transfers from non -current provisions	-	-	-	-
Balance at the end of the year (30.06.2021)	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

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:

External Borrowings	-	-
Dollar denominated loan from organization	-	-
Sterling Pound denominated loan from organization	-	-
Euro denominated loan from organization	-	-
Domestic Borrowings	-	-
None	-	-
Total balance at end of the year	-	-

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

Short term borrowings(current portion)		
Long term borrowings		
Total		

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Employee benefit obligations

Current benefit obligation	-	-	-	-
Non-current benefit obligation	-	-	-	-
Totalemployee benefits obligation	-	-	-	-

21. Cash generated from operations

Surplus/ (deficit) for the year before tax	-	-
Adjusted for:	-	-
Depreciation	-	-
Amortization	-	-
Gains/ losses on disposal of assets	-	-
Interest income	50,644	-
Finance cost	10,428	-
Working Capital adjustments	-	-
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payable	-	-
Net cash flow from operating activities	(61,072)	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Related party balances

a) Nature of related party relationships

Funds 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) County Assembly;
- d) Key management;
- e) Board of Trustees; etc

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

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

c) Key management remuneration

	2021/2021	2020/2020
Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

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d) Due from related parties

Due from parent Ministry	-	-	-
Due from County Government	-	-	-
Due from County Assembly	-	-	-
Total	-	-	-

e) Due to related parties

Due to parent Ministry	-	-	-
Due to County Government	-	-	-
Due to Key management personnel	-	-	-
Due to County Assembly	-	-	-
Total	-	-	-

23. Contingent assets and contingent liabilities

Court case against the Fund	-	-	-
Bank guarantees	-	-	-
Total	-	-	-

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14.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 to the External Auditor's Report	Issues/objections from Management comments	Status	Time frame
	We have not been served /released with recommendation by external Audit		

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15. APPENDIX I: INTER-ENTITY TRANSFERS

Break down of transfers from the County Government to other Government				
	FY 2020/2021			
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total		
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total		
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total		

The above amounts have been communicated to and reconciled with the parent Ministry.

Finance Manager
 Baringo County Co-operative Development Fund

Sign

Head of County Treasury at
 Baringo County

Sign