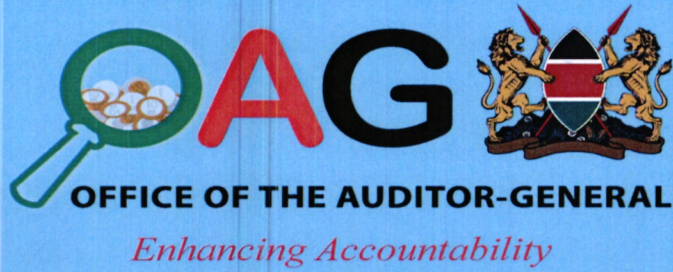
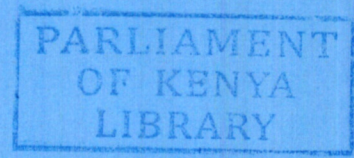


REPUBLIC OF KENYA



PAPERS	
DATE	31/5/2023
TABLED BY	Majority Leader
COMMITTEE	—
CLERK AT THE TABLE	Chania

**REPORT**



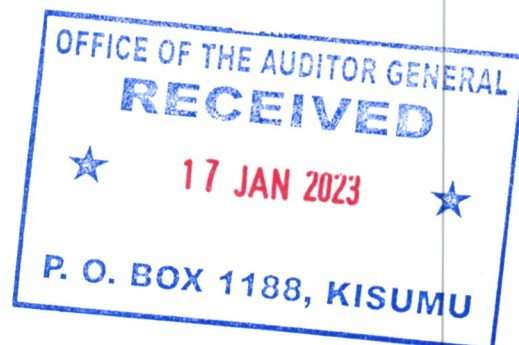
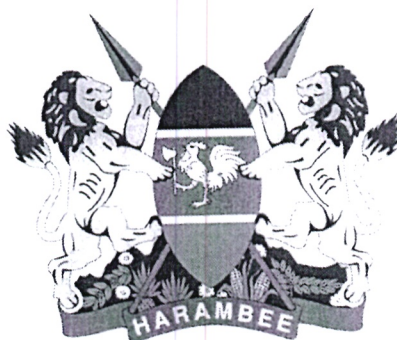
**OF**

**THE AUDITOR-GENERAL**

**ON**

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

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



---

**COUNTY GOVERNMENT OF KERICHO**  
*KERICHO COUNTY EXECUTIVE STAFF CAR LOANS 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)

*Kericho County Executive Staff Car Loan Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

---

**Table of Content**

1. Key Entity Information and Management	iii
2. Management Team	v
4. Report of The Fund Administrator	viii
5. Statement of Performance Against the County Fund's Predetermined Objectives	ix
6. Corporate Governance Statement	x
7. Management Discussion and Analysis	xi
9. Report of the Trustees	xiii
10. Statement of Management's Responsibilities	xiv
11. Report of The Independent Auditor	xv
12. Statement of Financial Performance For The Year Ended 30 <sup>th</sup> June 2022	1
13. Statement of Financial Position as at 30 June 2022	2
14. Statement of Changes in Net Assets for the year ended 30 <sup>th</sup> June 2022	3
15. Statement of Cash Flows For The Year Ended 30 June 2022	4
16. Statement of Comparison Of Budget And Actual Amounts For The Period	5
17. Notes to the Financial Statements	6
18. Progress On Follow Up Of Prior Year Auditor's Recommendations	21

**1. Key Entity Information and Management**

**a) Background information**

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

The fund's objective is to provide a loan scheme for the purchase of vehicles by staff.

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

**b) Principal Activities**

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

**c) Fund Administration Committee**

Ref	Name	Position
1	Chairman of Board	Hon. Shadrack Mutai
2	Chief Officer Finance	Leah Chumba
3	County Secretary	Joel Bett
4	Chief Officer Economic Planning	George Kirer
5	County Chief of Staff	Charles Kirui
6	County Physical Planner	Sylvia Inziani
7	County Payroll Manager	Leonard Ngetich
8	Fund Manager/ Administrator	Leah Chumba

**d) Key Management**

Ref	Name	Position
1	Chairman of Board	Hon. Shadrack Mutai
2	Chief Officer Finance	Leah Chumba
3	County Secretary	Joel Bett
4	Chief Officer Economic Planning	George Kirer
5	County Chief of Staff	Charles Kirui
6	County Physical Planner	Sylvia Inziani
7	County Payroll Manager	Leonard Ngetich
8	Fund Manager/ Administrator	Leah Chumba

**e) Registered Offices**

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

**f) Fund Contacts**

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

**g) Fund Bankers**

Cooperative Bank of Kenya  
 P O Box  
 Temple Road  
 Kericho Branch





**h) Independent Auditors**

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



**i) Principal Legal Adviser**

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

*Kericho County Executive Staff Car Loan Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

	<p>Mr. Charles Kirui was born in 1964, he holds a degree in education and has a vast experience in public sector he is county Chief of Staff and a Committee Member Kericho of the County Executive Staff Mortgage Scheme Fund.</p>
	<p>M/s Sylvia Inziani was born in 1983 she holds a degree in Urban and Regional Planning and has an experience of over ten years in public sector. She is the county physical planner and Committee member of the Kericho County Executive Staff Mortgage Scheme Fund.</p>
	<p>Hon Leonard K Ngetich was born in 1980 and holds degree in Accounting and he has an experience of over ten years in public sector. He is the county payroll manager and serves as a Committee Member of the Kericho County Executive Staff Mortgage Scheme Fund</p>
	<p>M/s Leah Chumba was born in 1968 she holds a Degree in economics and has an experience of over twenty years of service in public sector. She was the Chief Officer Roads and Public Works and Committee member of the Kericho County Executive Staff Mortgage Scheme Fund</p>

**2. Management Team**

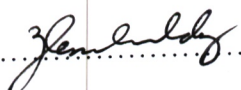
Name	Details of qualifications and experience
	<p>Dr Shadrack Mutai was born on 1980 and holds Bachelor's in Medicine &amp; Surgery. He has served in the County for over ten years as a Chief officer of Health and later CEC Finance and Economic Planning.</p>
	<p>Mr. Joel Bett was born in 1961. He holds a degree in human resource and has an experience of over thirty years in the public sector. He is the County Secretary and head of county public service and also a Committee Member of the Kericho County Executive Staff Mortgage Scheme Fund.</p>
	<p>CPA George K Kirer was born in 1981 and holds a master's degree in strategic management. He has an experience of over 10 years in the public sector. He is the current Ag Chief Officer of Finance and Ag Chief Officer Executive Office Of the Governor and Committee Member of the Kericho County Executive Staff Mortgage Scheme Fund.</p> <p>Executive Staff Mortgage Scheme Fund.</p>

### **3. Board/Fund Chairperson's Report**

During the financial year 2021/2022, the Kericho county executive staff car loan scheme fund did give loan to one individual only since it did not receive any allocations but rather received premiums paid by the already existing creditors. The board members were not changed during the year and the existing board continue to serve and discharge their duties according to the regulations of the act of 2016. However, the former CEC Dr Patrick Mutai resigned almost to the close of the Financial Statement to pursue other ambitions.

The future outlook of the fund anticipates that more funds will be allocated to the scheme fund to enable it discharge its mandate as it is stated in the act.

In conclusion there is need of funds or more allocations to satisfy the needs of staff.

Signed..........

**Hon. Shadrack Mutai**

#### **4. Report of The Fund Administrator**

The funds remain a going concern entity, however during the financial year the fund did not have any budgetary allocation hence there was no actual budget from the beginning of the period but rather continued to serve the existing clients anticipating that there will be budget allocation in the coming periods.

##### **Notable Challenges**

###### **I. Lack of funds**

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

###### **II. Key Risk Management strategies**

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

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



Sign: .....

CPA George K Kirer

**Fund Administrator**

**5. 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.

**Progress on attainment of Strategic development objectives**

Below we provide the progress on attaining the stated objectives:

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

**6. Corporate Governance Statement**

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

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

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

**7. Management Discussion and Analysis**

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

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

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

	2021-2022
	Kshs
<b>Revenue</b>	
Transfers From the County Government	2,726,498
<b>Total Revenue</b>	<b>2,726,498</b>
<b>Expenses</b>	
Use of goods and services	360
Loan Disbursements	1,500,000
<b>Total Expenses</b>	<b>1,500,360</b>
<b>Surplus/(Deficit)For The Period</b>	<b>1,226,138</b>

## **8. Environmental and Sustainability Reporting**

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

### **1. Sustainability strategy and profile -**

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

### **2. Environmental performance**

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

### **3. Employee welfare**

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

### **4. Market place practices**

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

### **5. Community Engagements**

During the financial year ended 30<sup>th</sup> June 2022, Kericho County Executive Staff Car Loan Scheme Fund did not participate in any community engagement.

**9. Report of the Trustees**

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 shall be to provide a loan scheme for the purchase of vehicles by Staff.

**Results**

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

**Trustees**

The members of the Board of Trustees who served during the year are shown on page (v).

**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. Or a Certified Public Accountant nominated by the Auditor General to carry out the audit of the *entity* for the year/period ended June 30, 2022 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

  
.....  
**Chair of the Board/Fund Administration Committee**  
**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 a County Public Fund established by Kericho County Subsidiary Legislation, (Kericho County Executive staff Car Loan Scheme Fund) 2016 Legal Notice number 5, 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 by Kericho County Subsidiary Legislation, (Kericho County Executive staff Car Loan Scheme Fund) 2016 Legal Notice number 5. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2022, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

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

Sign  .....

CPA George K Kirer

**Fund Administrator**

# REPUBLIC OF KENYA



*Enhancing Accountability*

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

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

## **REPORT OF THE AUDITOR-GENERAL ON KERICHO COUNTY EXECUTIVE STAFF CAR LOAN 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 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 Kericho County Executive Staff Car Loan Scheme Fund set out on pages 1 to 21, which comprise of 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

---

*Report of the Auditor-General on Kericho County Executive Staff Car Loan Fund for the year ended 30 June, 2022*

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 Kericho County Executive Staff Car Loan 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 Kericho County Executive Staff Car Loan Scheme Fund Regulations, 2016 and the Public Finance Management Act, 2012.

## **Basis for Adverse Opinion**

### **1. Inaccuracies of the Financial Statements**

Review of the annual report and financial statements of the Fund for the year ended 30 June, 2022, revealed the following;

- i. The trial balance for the Fund as at 30 June, 2022 in support of the balances in the financial statements was not provided for audit review;
- ii. The Management discussion and analysis indicates the Fund received an amount of Kshs.2,726,498 from the County Executive, while the statement of financial performance indicates Nil amount resulting to unexplained variance of Kshs.2,726,498. In addition, the analysis does not disclose an amount of Kshs.390,564, being the interest income for the year;
- iii. The financial statements as disclosed in Note 6, reflects current portion of long-term receivable from exchange transactions comparative Nil balance, while the statement of financial position indicates a comparative balance of Kshs.5,871,782 resulting to unexplained variance of Kshs.5,871,782. Further, the Note reflects a non-current receivable-long term receivables from exchange transactions Nil comparative balance, while the statement of financial position indicates a comparative balance of Kshs.12,816,545 resulting to an unexplained variance of Kshs.6,944,763.
- iv. Other disclosures do not include financial risk management in respect to credit risk disclosure on performance of receivables from exchange transactions, and the gearing of the Fund under capital risk management.
- v. The progress on follow-up of prior year's auditor's recommendations does not indicate Management's action on the issues raised by the Auditor-General's report for the year 2020/2021.
- vi. The statement of cash flows was incomplete as it does not have comparative balances. In addition, it does not include amounts on interest received in the year, proceeds from loan principal repayments and loan disbursements. The car loan

disbursement was treated as an expenditure. Therefore, the statement of cash flows was inaccurate.

- vii. The statement of comparison of budget and actual amounts indicates that no budget had been prepared during the year.

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

## **2. Irregular Accounting for Loan Disbursements**

The statement of financial performance reflects loan disbursements amount of Kshs.1,500,000 and as disclosed in Note 4 to the financial statements. The amount represents a car loan issued to an identified beneficiary which was expensed during the year. However, the lending was wrongly classified as a recurrent expenditure thereby misstating the retained earnings of the Fund.

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

## **3. Unsupported Current Portion of Receivables from Exchange Transactions**

The statement of financial position as at 30 June, 2022 reflects current portion of receivables from exchange transactions balance of Kshs.2,236,456 and as disclosed in Note 6 to the financial statements. However, the individual debtors' ledgers were not provided for audit review.

In the circumstances, the accuracy and completeness of current portion of receivables from exchange transactions of Kshs.2,236,456 could not be confirmed.

## **4. Unsupported Long-Term Receivables from Exchange Transactions**

The statement of financial position as at 30 June, 2022 reflects long-term receivables from exchange transactions balance of Kshs.5,496,651 and as disclosed in Note 6 to the financial statements. However, recalculation using information and data provided results to a balance of Kshs.10,463,027 as detailed below resulting to an unexplained variance of Kshs.4,966,376.

<b>Details</b>	<b>Amount (Kshs.)</b>
Opening balance at 1 July, 2021	12,816,545
Add (2) new loans issued	3,000,000
Less loan principal repayments for the year	(2,726,498)
Less interest earned on loans for the year	(390,564)
Less current portion of receivables	(2,236,456)
Calculated balance at 30 June, 2022	10,463,027
Less amount in the financial statements	5,496,651
<b>Variance</b>	<b>4,966,376</b>

In the circumstances, the long-term receivables from exchange transactions balance of Kshs.5,496,651 could not be confirmed.

## **5. Inaccuracies of the Statement of Changes in Net Assets**

The statement of changes in net assets for the year ended 30 June, 2022 under revolving funds does not include funds received during the year amounting to Kshs.2,726,498 and transfers from the Fund of Kshs.3,000,000 in respect to the two (2) loans issued during the year. In addition, the accumulated surplus column wrongly reflects Kshs.2,726,498 in respect of funds received during the year. Further, the total net assets of the Fund reflect Kshs.21,996,702 while the recalculated balance was Kshs.22,917,657 resulting to an unexplained variance of Kshs.920,955.

In the circumstances, the accuracy of changes in net assets balance of Kshs.21,996,702 could not be confirmed.

## **6. Presentation of the Financial Statements**

The report of the Fund Administrator does not include information on outputs, outcomes and impacts of the Fund since its establishment. In addition, the report does not identify each of the programs implemented by the Fund, including disclosure on whether their objectives were attained. The financial statements were not compliant with the Annual Financial Reporting Template for county public funds (Revised June, 2022) issued by the Public Sector Accounting Standards Board.

In the circumstances, the financial statements are not compliant with the reporting standards as prescribed by the Public Sector Accounting Standards Board.

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

### **Key Audit Matters**

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

### **Other Matter**

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

The statement of comparison of budget and actual amounts for the period ended 30 June, 2022 indicates that the Fund did not have an approved budget for its operations. However, the Fund realised a revenue of Kshs.390,564 and expenditure amounting to Kshs.1,500,360 which had not been approved.

In the circumstances, the fairness of the disclosure of budget performance could not be confirmed.

# 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. Inconsistency Fund Account Name**

Review of the financial statements provided for audit, reflects the name of the bank account as Kericho County Car Loan Account while the cash balance certificate reflects the account name as County Government of Kericho which is contrary to the requirements of the Public Finance Management (Kericho County Executive Staff Car Loan Scheme Fund) Regulations, 2016 which states that all monies of the Fund shall be paid into an account operated by the officer administering the car loan.

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

### **2. Irregularities in Long-Term Receivables**

The statement of financial position and as disclosed in Note 6 to the financial statements reflects a balance of Kshs.5,496,651 in respect to long-term receivables from exchange transactions. Review of seven (7) of the logbooks provided revealed that the funded vehicles were neither in the names of the beneficiaries nor joint names with the Fund and no insurance certificates and policy documents were provided for audit review.

In addition, the logbook used by one of the borrowers to obtain her loan was registered in her name in 2019, the loan was not recorded in the cash book and loans general ledger of the Fund and the loan requisition was not provided for audit review. Further, all the loans were issued in 2018 except for one loan, which was issued on 8 October, 2021.

This was contrary to Regulation 9(2) of the Kericho County Executive Staff Car Loan Scheme Fund Regulations, 2016, which requires that the logbook of a vehicle subject to a loan from the fund shall be issued jointly between the County Government of Kericho and the member of staff and shall be kept in the custody of the officer administering the Fund or mortgage institution until the loan is repaid in full by the staff.

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 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**

#### **Failure to Recover Outstanding Loan Balances**

The long-term receivables include two (2) long outstanding loans amounting to Kshs.5,745,954 held by two former employees of the County Executive of Kshs.2,209,982, and a deceased employee of Kshs.3,535,972 respectively. However, the Fund Management had not demonstrated measures put in place to recover these loans from the beneficiaries. Further, no ownership documents for these vehicles were provided for audit review.

In the circumstances, it was not possible to confirm the Managements' ability to recover the outstanding loans from the defaulters.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards 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 (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

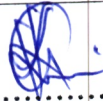
**Nairobi**


**28 April, 2023**

*Kericho County Executive Staff Car Loans Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**12. Statement of Financial Performance For The Year Ended 30<sup>th</sup> June 2022**

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Revenue From Non-Exchange Transactions</b>			
Transfers From the County Government	1	0	0
Fines, Penalties and Other Levies		0	0
		<b>0</b>	<b>0</b>
<b>Revenue From Exchange Transactions</b>			
Interest Income	2	390,564	338,542
Other Income		0	0
		<b>0</b>	<b>0</b>
<b>Total Revenue</b>		<b>390,564</b>	<b>338,542</b>
<b>Expenses</b>			
Employee Costs		-	-
Use of goods and services	3	360	-
Loan Disbursements	4	1,500,000	-
Finance Costs		-	-
<b>Total Expenses</b>		<b>1,500,360</b>	
<b>Other Gains/Losses</b>			
Gain/Loss on Disposal of Assets		-	-
<b>Surplus/(Deficit)for the Period</b>		<b>(1,109,796)</b>	<b>338,542</b>

  
 .....  
 Name: George K Kirer  
 Administrator of the Fund  
 ICPAK M/No: 9499

  
 .....  
 Name: Willy Chirchir  
 Fund Accountant  
 ICPAK M/No: 17247


*Kericho County Executive Staff Car Loan Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**13. Statement of Financial Position as at 30 June 2022**

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	3,697,766	2,471,628
Current Portion of Long- Term Receivables From Exchange Transactions	6	2,236,456	5,871,782
		<b>5,934,222</b>	<b>8,343,410</b>
<b>Non-Current Assets</b>			
Long Term Receivables from Exchange Transactions	6	5,496,651	12,816,545
		<b>5,496,651</b>	<b>12,816,545</b>
<b>Total Assets</b>		<b>11,430,873</b>	<b>21,159,955</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions		-	-
Provisions		-	-
Current Portion of Borrowings		-	-
Employee Benefit Obligations		-	-
<b>Non-Current Liabilities</b>			
Non-Current Employee Benefit Obligation		-	-
Long Term Portion of Borrowings		-	-
<b>Total Liabilities</b>		-	-
<b>Net Assets</b>		<b>11,430,873</b>	<b>21,159,955</b>
Revolving Fund	7	23,106,498	20,380,000
Reserves		-	-
Accumulated Deficit		(1,109,796)	921,955
<b>Total Net Assets and Liabilities</b>		<b>21,996,702</b>	<b>21,301,955</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30<sup>th</sup> Sep 2022 and signed by:

.....  
 Name: George K Kirer  
 Administrator of the Fund  
 ICPAK M/No: 9499

  
 Name: Willy Chirchir  
 Fund Accountant  
 ICPAK M/No: 17247

*Kericho County Executive Staff Car Loan Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**14. Statement of Changes in Net Assets for the year ended 30<sup>th</sup> June 2022**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
<b>Balance As At 1 July 2020</b>	20,380,000	-	583,413	20,963,413
Surplus/(Deficit) For the Period	-	-	338,542	338,542
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2021</b>	<b>20,380,000</b>	<b>-</b>	<b>921,955</b>	<b>21,300,955</b>
<b>Balance As At 1 July 2021</b>	<b>20,380,000</b>	<b>-</b>	<b>921,955</b>	<b>21,300,955</b>
Surplus/(Deficit) For the Period	-	-	(1,109,796)	(1,109,796)
Funds Received During the Year	-	-	-	-
Transfers	-	-	2,726,498	2,726,498
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2022</b>	<b>20,380,000</b>	<b>-</b>	<b>1,616,702</b>	<b>21,996,702</b>



.....  
 Name: CPA George K Kirer  
 Administrator of the Fund  
 ICPAK M/No: 9499




.....  
 Name: CPA Willy Chirchir  
 Fund Accountant  
 ICPAK M/No: 17247

*Kericho County Executive Staff Car Loan Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**15. Statement of Cash Flows For The Year Ended 30 June 2022**

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		0	-
Transfers from the county government	1	2,726,498	-
Interest received	2	0	-
Receipts from other operating activities		0	-
<b>Total receipts</b>		<b>2,726,498</b>	<b>-</b>
<b>Payments</b>			
Fund administration expenses		0	-
Use of Goods	3	360	-
Car Loan Disbursements	4	1,500,000	-
		<b>(1,500,360)</b>	<b>-</b>
<b>Netcash flows from operating activities</b>		<b>1,226,138</b>	<b>-</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and Intangible assets		0	-
Proceeds from sale of property, plant& equipment		0	-
Proceeds from loan principal repayments		0	-
Loan disbursements paid out		0	-
<b>Netcash flows used in investing activities</b>		<b>0</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		0	-
Additional borrowings		0	-
Repayment of borrowings		0	-
<b>Netcash flows used in financing activities</b>		<b>0</b>	<b>-</b>
<b>Net increase/(decrease)in cash &amp; cash Equiv</b>		<b>1,226,138</b>	<b>-</b>
Cash and cash equivalent as at 1July	5	2,471,628	2,471,628
<b>Cash and cash equivalent as at 30June</b>	<b>5</b>	<b>3,697,766</b>	<b>2,471,628</b>

.....  
 Name: CPA George K Kirer  
 Administrator of the Fund  
 ICPAK M/No: 9499

.....  
  
 Name: CPA Willy Chirchir  
 Fund Accountant  
 ICPAK M/No: 17247


*Kericho County Executive Staff Car Loans Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**


**16. Statement of Comparison Of Budget And Actual Amounts For The Period**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	2022	2022	2022	2022	2022	2022
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Public Contributions And Donations	0	0	0	0	0	0
Transfers From County Govt.	0	0	0	0	0	0
Interest Income	0	0	0	390,564	390,564	100
Other Income	0	0	0	0	0	0
<b>Total Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>100</b>
<b>Expenses</b>						
Fund Administration Expenses	0	0	0	0	0	0
Use of Goods	0	0	0	360	-360	100
Car Loan Disbursements	0	0	0	1,500,000	-1,500,000	100
<b>Total Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,500,360</b>	<b>-1,500,360</b>	<b>100</b>
<b>Deficit For The Period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,109,796)</b>	<b>(1,109,796)</b>	<b>100</b>

**Budget notes**

1. Only one disbursement of Ksh 1,500,000 was approved during the Financial Year.

  
 Name: CPA George K Kirer  
 Administrator of the Fund  
 ICPAK M/No: 9499

  
 Name: CPA Willy Chirchir  
 Fund Accountant  
 ICPAK M/No: 17247

**17. Notes to the Financial Statements**

**1. General Information**

Kericho County Executive Staff Car Loan Scheme Fund is established by and derives its authority and accountability from Kericho County Car Loan Scheme Fund) 2016 Legal Notice number 5. The entity is wholly owned by the Kericho County Government and is domiciled in Kenya. The entity's principal activity is to purchase, development, renovation or repair of residential property by members of the County Executive Staff.

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

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

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

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

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

**(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022**

Standard	Effective date and impact:
<p><b>IPSAS 41: Financial Instruments</b></p>	<p>Applicable: 1<sup>st</sup> January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p><b>IPSAS 42: Social</b></p>	<p>Applicable: 1<sup>st</sup> January 2023</p>

*Kericho County Executive Staff Car Loan Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
<b>Benefits</b>	<p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity;</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 Entity's financial performance, financial position and cash flows.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<b>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</b>	<p>Applicable: 1st January 2023:</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> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<b>Other improvements to IPSAS</b>	<p><i>Applicable 1<sup>st</sup> January 2023</i></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no</p>

*Kericho County Executive Staff Car Loan Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
	<p>longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• IPSAS 29: Financial instruments: Recognition and Measurement</li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p>
<b>IPSAS 43</b>	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p>
<b>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</b>	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p>

**(iii) Early adoption of standards**

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

**4. Significant Accounting Policies**

**a) Revenue recognition**

**i. Revenue from non-exchange transactions**

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

**ii. Revenue from exchange transactions**

***Interest income***

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

**b) Budget information**

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of financial performance.

**c) Property, plant and equipment**

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

exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**d) Intangible Assets**

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

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

**e) Financial instruments**

***Financial assets***

***Initial recognition and measurement***

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

***Loans and receivables***

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



***Summary Of Significant Accounting Policies (Continued)***

***Held-to-maturity***

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

***Impairment of financial assets***

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

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

***Financial liabilities***

***Initial recognition and measurement***

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

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

***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.

***Summary Of Significant Accounting Policies (Continued)***

**f) Inventories**

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

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

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

*Kericho County Executive Staff Car Loan Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

---

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

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

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

**g) Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

***Contingent liabilities***

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

***Summary Of Significant Accounting Policies (Continued)***

***Contingent assets***

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**h) Nature and purpose of reserves**

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

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

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

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

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

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

**k) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

*Kericho County Executive Staff Car Loan Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Summary Of Significant Accounting Policies (Continued)**

**l) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**m) Related parties**

The County Executive of Kericho is a related party of Kericho County Executive Staff Car Loan Scheme Fund since the fund obtains allocations from the County Executive and the fund also advances car loans to employees of Kericho County Executive.

**n) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**o) Comparative figures**

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

**p) Events after the reporting period**

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

**q) Ultimate and Holding Entity**

The entity is a County Public Fund established by of Kericho County Executive Staff Car Loan Scheme Fund Regulations 2016. Its ultimate parent is the County Government of Kericho.

**r) Currency**

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

**Summary Of Significant Accounting Policies (Continued)**

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

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

**a) Estimates and assumptions** – The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

**b) Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 18.

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.

***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. The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors and senior managers.

**s) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**t) Comparative figures**

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

**u) Events after the reporting period**

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

**v) Currency**

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

*Kericho County Executive Staff Car Loan Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**6. Notes To The Financial Statements**

**1. Transfers from County Government**

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfers From County Govt. –Operations	0	0
Payments By County On Behalf Of The Entity	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**2. Interest income**

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Income From Car Loans	390,564	338,542
<b>Total Interest Income</b>	<b>390,564</b>	<b>338,542</b>

**3. Use of Goods and Services**

Description	2021/22	2020/21
	Kshs.	Kshs.
Bank Charges	360	-
<b>Total</b>	<b>360</b>	<b>-</b>

**4. Loan Disbursements**

Description	2021/22	2020/21
	Kshs.	Kshs.
Car loans	1,500,000	-
<b>Total</b>	<b>1,500,000</b>	<b>-</b>

**5. Cash and cash equivalents**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>a) Current Account</b>		
Co-operative Bank of Kenya	3,697,766	2,471,628
<b>Sub- Total</b>	<b>3,697,766</b>	<b>2,471,628</b>
<b>Grand Total</b>	<b>3,697,766</b>	<b>2,471,628</b>

*Kericho County Executive Staff Car Loan Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Other Disclosures**

**6. Receivables from exchange transactions**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Current Receivables</b>		
Interest Receivable	2,236,456	0
Current Loan Repayments Due	0	0
Other Exchange Debtors	0	0
Less: Impairment Allowance	(0)	(0)
<b>Total Current Receivables</b>	<b>2,236,456</b>	
<b>Non-Current Receivables</b>		
Long Term Loan Repayments Due	5,496,651	0
<b>Total Non- Current Receivables</b>	<b>5,496,651</b>	<b>0</b>
<b>Total Receivables From Exchange Transactions</b>	<b>7,733,107</b>	<b>0</b>

**Additional disclosure on interest receivable**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Interest Receivable</b>		
Interest receivable from current portion of long-term loans of previous years	0	0
Accrued interest receivable from of long-term loans of previous years	577,472	0
Interest receivable from current portion of long-term loans issued in the current year	2,236,456	0
<b>Current loan repayments due</b>		
Current portion of long-term loans from previous years	0	0
Accrued principal from long-terms loans from previous periods	2,106,850	0
Current portion of long-term loans issued in the current year	5,496,651	0

**7. Revolving Fund**

	2021-2022	2020-2021
	Kshs	Kshs
Balance At The Beginning Of The Year	20,380,000	20,380,000
Previous Year Loan and Interest Repayments FY 2020-21	2,726,498	0
<b>Total</b>	<b>23,106,498</b>	<b>20,380,000</b>

*Kericho County Executive Staff Car Loan Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**8. Related party balances**

**a) Nature of related party relationships**

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

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

**b) Related party transactions**

	2021-2022	2020-2021
	Kshs	Kshs
Transfers From Related Parties'	-	-
Transfers From Related Parties	2,726,498	-

**c) Due from related parties**

	2021-2022	2020-2021
	Kshs	Kshs
Due To Parent Ministry	-	-
Due From County Government Related Parties	2,236,456	-
Due To Key Management Personnel	-	-
<b>Total</b>	<b>2,236,456</b>	<b>-</b>

*Kericho County Executive Staff Car Loan Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**18. 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)
OAG/KSM/2020-2021-2-01-0035-20/KCESLF/7	Presentation of Financial Statement	To Revise Financial Statement	Resolved	December 2022
OAG/KSM/2020-2021-2-01-0035-20/KCESLF/7	Variance in comparative Balances	To Revise Financial Statement	Resolved	December 2022

