

REPUBLIC OF KENYA



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REPORT

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THE AUDITOR-GENERAL

ON

**BARINGO COUNTY COOPERATIVE
DEVELOPMENT FUND**

**FOR THE YEAR ENDED
30 JUNE, 2020**





BARINGO COUNTY GOVERNMENT
CO-OPERATIVE DEVELOPMENT FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020

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

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

1. KEY ENTITY INFORMATION AND MANAGEMENT	2
2. MANAGEMENT TEAM	4
3. REPORT OF THE FUND ADMINISTRATOR	8
4. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	9
5. REPORT OF THE INDEPENDENT AUDITOR	10
5.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 th JUNE 2020	11
6. FINANCIAL STATEMENTS	12
6.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 th JUNE 2020	12
6.2. STATEMENT OF FINANCIAL POSITION AS AT 30 th JUNE 2020	13
6.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 th JUNE 2020	14
6.4. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 th JUNE 2020	15
6.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 th JUNE 2020	16
6.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	17
6.7. NOTES TO THE FINANCIAL STATEMENTS	31
7. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	42

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

- i. Baringo County Co-operative Development Fund was established by Baringo County government and derives its authority and accountability from section 110 of the Public Finance Management Act 2012 on 3rd February 2014. It was established as "Baringo County Co-operative Development Fund) Regulations 2014"

The Fund is wholly owned by the County Government of Baringo.

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

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to lend money to Co-operative societies in the County

1. Recovery of money from loanees
2. Capacity building of loan beneficiaries
3. They are the custodian of loan securities from beneficiaries

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Stephen Kerio- Chairman	Representative of Bamscos Ltd
2	Moses Lokidor- Fund Administrator	Chief Officer –Trade
3	Peter Kilel- Secretary	County Co-operative Commissioner
4	John Kisang-Member	Chief Officer Finance
5	Solomon Chesaina - Member	Member -BCCU

d) Key Management

Ref	Name	Position
2	David Rerimoi- Member	Deputy Director Accounting Services
3	John Kisang-Member	Chief Officer Finance
4	Peter Kilel - Secretary	County Co-operative Commissioner
5	Moses Lokidor - Fund Administrator	Chief Officer -Trade

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

e) Registered Offices

P.O. Box 53-30400
Mwalimu Plaza 1ST Floor
Kabarnet, KENYA

f) Fund Contacts

Telephone:053-22290
E-mail: cectreasurybaringo@gmail.com.
Website: www.baringo.go.ke

g) Fund Bankers

1. BORESHA SACCO FOSA LTD
P.O. Box 80-20103
ELDAMA RAVINE, Kenya
A/C 50451152201

h) Independent Auditors

Office of 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

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

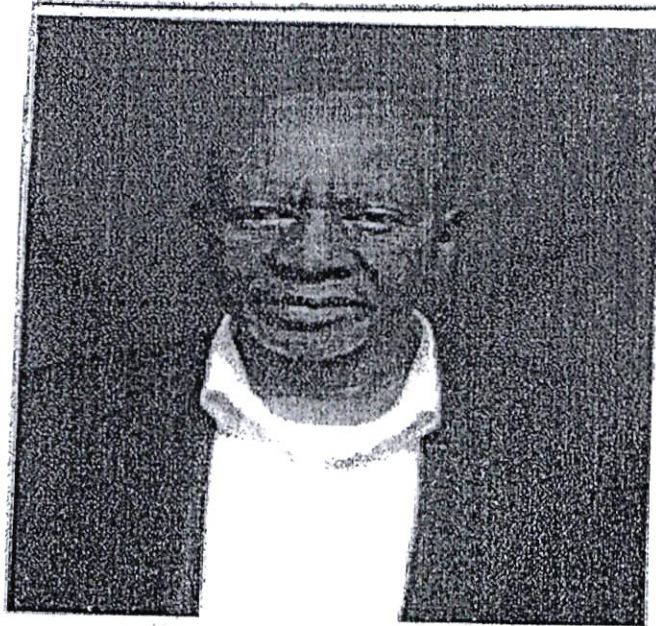
2. MANAGEMENT TEAM

1.	David Rerimoi-	Year of Birth:1980 Key Qualifications: Masters in Business Administration (UON),BCOM,CPA (K) Senior Management Course
2.	John Kisang-Member	Chief Officer Finance
3.	Peter C. Kilel	Year of Birth: 1962 Key Qualifications: Masters in Development Studies (Uo Maharishi Dayanand (Rohtak) India,) Strategic Leadership Programme 52 (KSG, Lower Kabete) County Co-operative Commissioner
4.	Moses Lokidor- Fund administrator	Chief Officer -Trade



Moses Lokidor

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020



Peter Kilel



Stephen Chemjor

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Report and Financial statements
For the year ended June 30, 2020



DR DAVID SERGON

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020



Farida Toma Haji

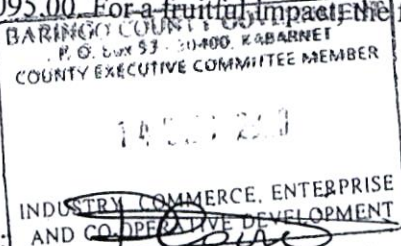


Pamela Koskei Kimeto

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

3.0 BOARD/FUND CHAIRPERSON'S REPORT

During the year under review, the fund did not witness any change in the composition of its board and management team. Despite financial constraints, the fund was able to utilize the available resources at its disposal to meet its objectives. Total revenue was ksh 4,867,778.20 (previous year kshs. 3,951,757.00) while total expenses was ksh 177,220.00 (previous year 6,095.00). For a fruitful impact, the fund should be allocated more funds.

Signed: 
The stamp is rectangular with a double border. The text inside reads: 'BARINGO COUNTY GOVERNMENT' at the top, 'P. O. BOX 53 - 20400, KABARNET' below it, 'COUNTY EXECUTIVE COMMITTEE MEMBER' below that, the date '14.06.2020' in the center, and 'INDUSTRY, COMMERCE, ENTERPRISE AND CO-OPERATIVE DEVELOPMENT' at the bottom. A signature is written across the bottom of the stamp.

Dr. David Sergon, CECM Department of Industrialization, Commerce, Enterprise and Co-operative Development

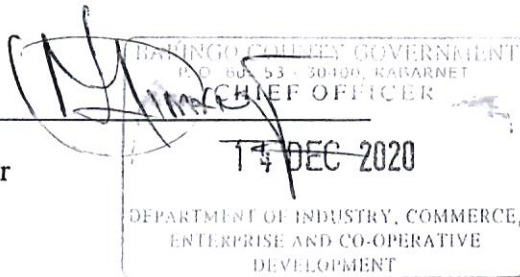
BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

4. REPORT OF THE FUND 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 ksh 4,867,778.00 out of which 3,945,662.00 was balance brought forward and ksh. 140,450.00 was loan recovered expenses were bank charges worth 36,770.00 This resulted in a surplus of ksh. 4,690,558.00.

Signed: _____

Moses Lokidor



BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

5. 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 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.

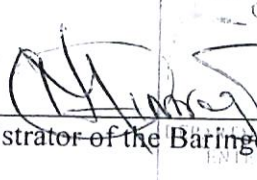
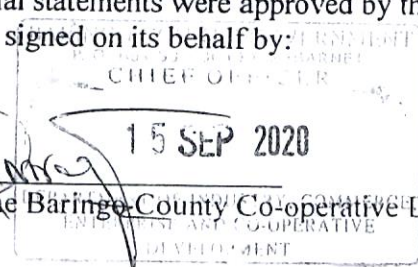
The Administrator of the Baringo County Co-operative Development Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. This responsibility 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 judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Baringo County 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.

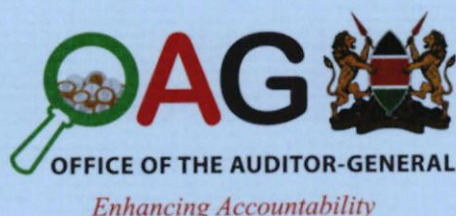
Approval of the financial statements

The Fund's financial statements were approved by the co-operative Fund Management Committee on 15/09/2020 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, 2020

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Baringo County Government Cooperative Development Fund set out on pages 11 to 42, which comprise of the statement of financial position as at 30 June, 2020, 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.

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, 2020, 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 Act, 2012.

Basis for Adverse Opinion

1. Errors in Presentation of Financial Statements

The annual report and the financial statements presented for audit contained several inconsistencies and errors on numbering of explanatory notes referenced to various statements. Further, the Statement of Performance against the Funds Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Corporate Social Responsibility Statement/Sustainability Report and Report of the Trustees and Related Parties Information, were omitted from annual report and financial statements.

Consequently, the financial statements were not prepared in accordance with the requirements of the Public Sector Accounting Standards Board.

2. Inaccuracies in the Financial Statements

The financial statements for the year ended 30 June, 2020 presented for audit had the following inaccuracies:

- 2.1. The Fund balance brought forward and other income (loan recovery) of Kshs.3,945,662 and Kshs.922,116 respectively are assets and liabilities in nature

have been included in the statement of financial performance instead of statement of financial position, contrary to the International Public Sector Accounting Standards No.1 on presentation of the financial statements.

- 2.2. The reserves balance of Kshs.13,948,817 reflected in the statement of financial position has not been analyzed and disclosed in the statement of changes in net assets.
- 2.3. The statement of changes in net assets reflects accumulated surplus of Kshs.18,639,375 which is at variance with a balance of Kshs.4,690,558 reflected in the statement of financial position. The variance of Kshs.13,948,817 has not been explained.
- 2.4. The statement of comparison of budget and actual amounts reflects total expenses under performance difference of Kshs.1,175,904 while a re-casting of the statement revealed a balance of Kshs.7,105,180 resulting to an unexplained and unreconciled variance of Kshs.5,929,276.
- 2.5. The statement of comparison of budget and actual amounts reflects total surplus for the period under performance difference of Kshs.998,627 while a re-casting of the statement revealed a surplus of Kshs.1,175,904 resulting to an unreconciled difference of Kshs.177,277.
- 2.6. The statement of comparison of budget and actual amounts reflects percentage underutilization of 19%, 11% and 68% in respect of loan recovery, total income and total expenditure instead of 23%, 90% and 98% respectively.

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2020 could not be confirmed.

3. Unsupported Loan Recovery

The statement of financial performance reflects other income - loan recovery of Kshs.922,116. However, schedule provided revealed a balance of Kshs.893,116 resulting to unexplained variance of Kshs.29,000. In addition, the balance includes an amount of Kshs.436,706 under repayments from non-cooperative societies which was not supported. Further, the loan repayment schedule lacked details of opening balances, loans issued, principal and interest repayments and the outstanding balance.

Consequently, the accuracy and completeness of loan recovery of Kshs.922,116 for the year ended 30 June, 2020 could not be confirmed.

4. Imprest Management

The statement of financial performance reflects general expenses-operation balance of Kshs.140,450. However, the supporting schedule provided included imprest issued for operational costs with no details of the purpose or activities undertaken. The imprests therefore appear to have been expensed at the time of issue instead of after the surrender.

In the circumstances, the accuracy and completeness of operation expenses of Kshs.140,450 could not be confirmed.

5. Unsupported Bank Charges

The statement of financial performance for the year ended 30 June, 2020 reflects bank charges of Kshs.36,770. However, the schedules presented for audit indicated an amount of Kshs.7,770 resulting to an unexplained and unreconciled variance of Kshs.29,000.

Consequently, the accuracy and completeness of bank charges of Kshs.36,770 for the year ended 30 June, 2020 could not be confirmed.

6. Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.18,639,375 which differs from an amount of Kshs.4,690,558 reflected in Note 11 to the financial statements resulting to unexplained and unreconciled variance of Kshs.13,948,817. Further, bank reconciliation statements were not provided for audit verification.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.18,639,375 as at 30 June, 2020 could not be confirmed.

7. Unsupported Receivables from Exchange Transactions

The statement of financial position as at 30 June, 2020 reflects a nil balance under long term receivables from exchange transactions. However, the movement schedule showing the opening balance, amounts issued during the year, account recovered and closing balance was not provided for audit review.

As a result, the accuracy and completeness of the reported nil balance for long-term receivables from exchange transactions as at 30 June, 2020 could not be confirmed.

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

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, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on

the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Lack of Approved Budget

The statement of comparison of budget and actual amounts reflects final budget of Kshs.9,203,200 and actual expenditure of Kshs.744,896 resulting to under absorption of Kshs.8,458,304. However, the approved budget estimates in support of the revenue and expenditure was not provided for audit. This is contrary to Regulations 19(1) of the Public Finance Management (Baringo County Cooperative Development Fund) Regulations, 2014 which requires that at least three months before the commencement of each financial year, the committee shall cause to be prepared estimates of the income and expenditure of the Committee and the Fund for that year.

Under the circumstances, the transfers made from the County Treasury and payments were in breach of the law.

2. Irregular Sacco Account

As indicated under Key Entity Information, the Fund operate an account at Boresha Sacco Fosa Limited. However, opening and operating a Sacco Society instead of approved bank account, contravenes Section 119(2) which requires that as soon as practicable, each County Treasury shall establish a Treasury Single Account at the Central Bank of Kenya or a bank approved by the County Treasury through which payments of money to and by the various county government entities are to be made.

Consequently, the Fund is in breach of the law.

3. Failure to Comply with Cooperative Development Fund Regulations

During the year under review, the Fund Management failed to comply with the Public Finance Management (Baringo County Cooperative Development Fund) Regulations, 2014 as follows:

No.	Section of Regulation	Provision of the Regulations	Observation
1	8(a)	The functions of the committee shall be to (a) receive appraise and approve fund applications consistent with the policy	There was no evidence that fund applications were received, appraised and approved in consistent with the policy by Management Committee
2	8(d)	The functions of the committee shall be to (d) receive and discuss quarterly and annual reports and returns from the beneficiaries	Evidence that quarterly and annual reports and returns from beneficiaries were discussed by Management Committee in line with Regulation 8(d) was not provided;
3	11(2)	The officer administering the fund shall forward the application to the committee only after satisfying	There is no evidence that the officer administering the Fund forwarded applications to the committee after satisfying himself

No.	Section of Regulation	Provision of the Regulations	Observation
		himself that the society has the capacity to pay the loan	that the Society has the capacity to pay the loan
4	11(6)	Any security for a loan approved under these regulations shall be kept in the custody of the officer administering the fund until full repayment of the loan	There was no evidence that the security for loans approved were kept in the custody of the officer administering the fund until full repayment of the loan
5	13	A loan issued under the regulations shall be repaid within 3 years and section 15, if repayment is not done as per the agreement the money shall be recovered through civil proceedings	There is no evidence that all loans were repaid within three years and civil proceedings instituted against defaulters

As a result, the regularity of operations of the Fund could not be confirmed.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of Fire and Risk Management Policy

The fund does not have a fire and risk management strategy contrary to Section 158(1) (a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the accounting officer to develop risk management strategies, which include fraud prevention mechanism and internal controls that builds robust business operations.

Under the circumstances, risk management, development of strategies and controls may not have been implemented in an orderly manner.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in

compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

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

02 February, 2022

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

**6.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30th JUNE 2020**

	Note	2019/2020 KShs	2019/2018 KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Fines, penalties and other levies	3	-	-
Bal B/F		3,945,662.00	2,444,489.00
Revenue from exchange transactions			
Interest income	4		
Loan recovery	5	933,116.00	1,507,268.00
Total revenue		4,867,778.00	3,951,757.00
Expenses			
Loan issued to societies	6	-	-
Operation expenses	7	140,450.00	-
Bank charges	8	36,770.00	6,095.00
Total expenses		177,220.00	6,095.00
Other gains/losses			
Gain/loss on disposal of assets	9	-	-
Surplus/(deficit)for the period c/d		4,690,558.00	3,945,662.00

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

7. FINANCIAL STATEMENTS

**7.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30th JUNE 2020**

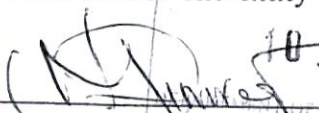
	Note	2019/2020	2018/2019
KShs			
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Fines, penalties and other levies	3	-	-
Balance b/f		3,945,662.00	2,444,489.00
Revenue from exchange transactions			
Interest income	4	-	-
Other income-loan recovery	5	922,116.00	1,507,268.00
Total revenue		4,867,778.00	3,951,757.00
Expenses			
Tax expenses			-
Loan issued to societies	6	-	-
General expenses-operations	7	140,450.00	-
Bank charges	8	36,770.00	6,095.00
Total expenses		177,220.00	6,095.00
Other gains/losses			
Gain/loss on disposal of assets	9	-	-
Surplus/(deficit)for the period		4,690,558.00	3,945,662.00

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

7.2 STATEMENT OF FINANCIAL POSITION AS AT 30th JUNE 2020

	Note	2019/2020	2018/2019
			KShs
Assets			
Current assets			
Cash and cash equivalents	11	18,639,375.00	13,948,817.00
Current portion of long term receivables from exchange transactions	12	-	-
Prepayments	13	-	-
Inventories	14	-	-
Non-current assets		18,639,375.00	13,948,817.00
Property, plant and equipment	15	-	-
Intangible assets	16	-	-
Long term receivables from exchange transactions	12	-	-
Total assets		18,639,375.00	13,948,817.00
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			
Non-current employee benefit obligation	20	-	-
Long term portion of borrowings	20	-	-
Total liabilities			
Net assets		18,639,375.00	13,948,817.00
Revolving Fund		-	-
Reserves		13,948,817.00	10,003,155.00
Accumulated surplus		4,690,558.00	3,945,662.00
Total net assets and liabilities		18,639,375.00	13,948,817

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 10/07/2020 and signed by:



 Administrator of the Baringo County Co-operative Development Fund

10 JUL 2020

INDUSTRY, COMMERCE
 DEVELOPMENT
 CO-OPERATIVE

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

7.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30th JUNE 2020

	Reserving Fund	Retainable Reserve	Accumulated surplus	Total
	KShs	KShs	KShs	KShs
Balance as at 1 July 2019	-	-	13,948,817.00	13,948,817.00
Surplus/(deficit) for the period	-	-	4,690,558.00	4,690,558.00
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	-	-	18,639,375.00	18,639,375.00
Balance as at 1 July 2020	-	-	18,639,375.00	18,639,375.00
Surplus/(deficit) for the period	-	-	-	-
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2021	-	-	-	-

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

7.4 STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30th JUNE 2 020

	Note	2019/2020	2018/2019
			KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Loan recovery		922,116.00	1,507,268.00
Interest received		-	-
Total Receipts		922,116.00	1,507,268.00
Payments			
Tax expenses		-	-
Loan issued to societies		-	-
General expenses-operations ⁵		140,450	-
Bank charges		36,770.00	6,095.00
Total Payments		177,220.00	6,095.00
Net cash flows from operating activities		744,896.00	1,501,173.00
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		744,896.00	1,501,173.00
Cash and cash equivalents at 1 st JULY 2019	11	3,945,660.00	2,444,489.00
Cash and cash equivalents at 30 th JUNE 2020	11	4,690,558.00	3,945,662.00

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

7.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2020

	2020	2020	2020	2020	2020	2020
	Budget	Actual	Budget	Actual	Difference	% Variance
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations	-	-	-	-	-	-
Transfers from County Govt.	8,000,000.00	-	8,000,000.00	-	8,000,000.00	-
Interest income	3,200.00	-	3,200.00	-	3,200.00	-
Loan Recovery	1,200,000.00	-	1,200,000.00	922,116.00	277,884.00	19%-
Total income	9,203,200.00	-	9,203,200.00	922,116.00	8,281,084.00	11%-
Expenses						
Loan to be given out	7,000,000.00	--	7,000,000.00	-	7,000,000.00	-
General expenses-operation	280,000.00	-	280,000.00	140,450.00	139,550.00	-
Fiancé cost	2,400.00	-	2,400.00	36,770.00	(34,370.00)	-
Total expenditure	7,282,400.00	-	7,282,400.00	177,220.00	1,175,904.00	68%
Surplus for the period	1,920,800.00	-	1,920,800.00	744,896.00	998,627.00	-

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND

Reports and Financial Statements

For the year ended June 30, 2020

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

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2020 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: 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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <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;

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND

Reports and Financial Statements

For the year ended June 30, 2020

Standard	Effective date and impact:
	<ul style="list-style-type: none">• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none">(a) The nature of such social benefits provided by the entity;(b) The key features of the operation of those social benefit schemes; and(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

c) Early adoption of standards

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

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUE D)

3. 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.

4. Budget information

The County Assembly approved the original budget for FY 2019/2020 on 30th June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of nil on the FY 2019/2020 budget following the governing body's approval.

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 has been presented under section 12.5 of these financial statements.

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

6. 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.

7. 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.

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

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.

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND

Reports and Financial Statements

For the year ended June 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

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

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

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

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

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

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

9. 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.

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

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.

10. Nature and purpose of reserves

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

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

11. 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.

12. 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.

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13. 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.

14. Related parties

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

15. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly 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 imp rests and advances to authorised public officers and/or institutions, which were not surrendered or accounted for at the end of the financial year.

16. Comparative figures

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

17. Events after the reporting period

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

18. Ultimate and Holding Entity

19. The Baringo Co-operative Development fund is a County Public Fund established by Public Finance Management Act 2012 and Baringo *County Co-operative Development Fund Regulations 2014* under the department of **Industry, Commerce, Enterprises and Co-operative Development**. Its ultimate parent is the County Government of Baringo.

20. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. 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

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.

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

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

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

22. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Fund's financial risk management objectives and policies are detailed below:

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

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

	Carrying Amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2020				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2020				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The entity has significant concentration of credit risk on amounts due from nil

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

b) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 3 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2020				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2020				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates, which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

i. Foreign currency risk

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

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

	KShs	Other currencies KShs	Total KShs
At 30 June 2020			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
2019			
Euro	10%	-	-
USD	10%	-	-
2018			
Euro	10%	-	-
USD	10%	-	-

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 0 (2019: KShs 0). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 0 (2018 – KShs 0)

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2020	2019
	KShs	KShs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	xx%	xx%

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

7.7 NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	2019/2020	2018/2019
	KShs	KShs
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

2. Transfers from County Government

Description	2019/2020	2018/2019
	KShs	KShs
Transfers from County Govt. – operations	-	-
Payments by County on behalf of the entity	-	-
Total	-	-

3. Fines, penalties and other levies

Description	2019/2020	2018/2019
	KShs	KShs
Late payment penalties	-	-
Fines	-	-
Total	-	-

4. Interest income

Description	2019/2020	2018/2019
	KShs	KShs
Interest income from Mortgage loans		-
Interest income from car loans		-
Interest income from investments		-
Interest income on bank deposits		-
Total interest income		-

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

5. Other income

Description	2019/2020	2018/2019
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income	-	-
Total other income	-	-

6. Fund administration expenses

Description	2019/2020	2018/2019
	KShs	KShs
Staff costs (Note 7)	-	-
Loan processing costs	-	-
Professional services costs	-	-
Administration fees	-	-
Total	-	-

7. Staff costs

Description	2019/2020	2018/2019
	KShs	KShs
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
Total	-	-

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	2019/2020	2018/2019 KShs
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Bank Charges	36,770.00	6,095.00
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	140,450.00	-
Total	177,220.00	6,095.00

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

Description	2019/2020	2018/2019
		K Shs
Interest on Bank overdrafts		-
Interest on loans from banks		-
Total		-

10. Gain/(loss) on disposal of assets

Description	2019/2020	2018/2019
		K Shs
Property, plant and equipment		-
Intangible assets		-
Total		-

11. Cash and cash equivalents

Description	2019/2020	2018/2019
		K Shs
Baringo County Car loan account		-
Baringo County mortgage account		-
Baringo County co-operative Fund Account	4,690,558.00	3,945,662.00
Fixed deposits account		-
On – call deposits		-
Current account		-
Others		-
Total cash and cash equivalents	4,690,558.00	3,945,662.00

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Financial institution	Account number	2019/2020 KShs	2018/2019 KShs
a) Fixed deposits account			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
Sub- total		-	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank – etc		-	-
Sub- total		-	-
c) Current account			
Kenya Commercial bank		-	-
Bank B		-	-
Sub- total		-	-
d) Others(specify)			
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
Sub- total		-	-
Grand total		-	-

12. Receivables from exchange transactions

Description	2019/2020 KShs	2018/2019 KShs
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	-	-
Total receivables from exchange transactions	-	-

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Prepayments

Description	2019/2020	2018/2019
	KShs	KShs
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments(specify)	-	-
Total	-	-

14. Inventories

Description	2019/2020	2018/2019
	KShs	KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
Other inventories(specify)	-	-
Total inventories at the lower of cost and net realizable value	-	-

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Property, plant and equipment

	Land and buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
	KSh	KSh	KSh	KSh	KSh
At 1st July 2019	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
At 30th June 2020	-	-	-	-	-
At 1st July 2019	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
At 30th June 2020	-	-	-	-	-
Depreciation and impairment					
At 1st July 2019	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30th June 2020	-	-	-	-	-
At 1st July 2019	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
At 30th June 2020	-	-	-	-	-
Net book values					
At 30th June 2020	-	-	-	-	-
At 30th June 2020	-	-	-	-	-

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

Description	2019/2020		2018/2019	
	KShs		KShs	
Cost				
At beginning of the year	-		-	
Additions	-		-	
At end of the year	-		-	
Amortization and impairment				
At beginning of the year	-		-	
Amortization	-		-	
At end of the year	-		-	
Impairment loss	-		-	
At end of the year	-		-	
NBV	-		-	

17. Trade and other payables from exchange transactions

Description	2019/2020		2018/2019	
	KShs		KShs	
Trade payables	-		-	
Refundable deposits	-		-	
Accrued expenses	-		-	
Other payables	-		-	
Total trade and other payables	-		-	

18. Provisions

Description	Current Provisions		Other Provisions		Total
	KShs		KShs		
Balance at the beginning of the year(1.07.2018)	-	-	-	-	-
Additional Provisions	-	-	-	-	-
Provision utilised	-	-	-	-	-
Change due to discount and time value for money	-	-	-	-	-
Transfers from non-current provisions	-	-	-	-	-
Balance at the end of the year (30.06.2019)	-	-	-	-	-

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

Description	2019/2020 KShs	2018/2019 KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestic borrowings during the period	-	-
Balance at end of the period	-	-

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

Description	2019/2020 KShs	2018/2019 KShs
External Borrowings		
Dollar denominated loan	-	-
Sterling Pound denominated loan	-	-
Euro denominated loan	-	-
Domestic Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
Total balance at end of the year	-	-

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

Description	2019/2020 KShs	2018/2019 KShs
Short term borrowings (current portion)	-	-
Long term borrowings	-	-
Total	-	-

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Employee benefit obligations

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

21. Cash generated from operations

	2019/2020	2018/19
	KShs	KShs
Surplus/ (deficit) of the year before tax	4,690,558.00	3,945,662.00
Adjusted for:		
Depreciation		-
Amortisation		-
Gains/ losses on disposal of assets		-
Interest income		-
Finance cost		-
Working Capital Adjustments		
Increase in receivables		-
Increase in payables		-
Increase in prepayments		-
Net cash flow from operating activities	4,690,558.00	3,945,662.00

22. Related party transactions

a) Nature of related party relationships

Entities and parties related to the Fund include those parties who have ability to exercise control or 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 Parliament of Kenya Government Ministry;
- c) Key management personnel;
- d) Board of Directors etc

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	2019/2020	2018/2019
	KShs	KShs
Transfers from related parties'	-	-
Transfers to related parties	-	-

c) Key management remuneration

	2019/2020	2018/2019
	KShs	KShs
Board of Directors	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

	2019/2020	2018/2019
	KShs	KShs
Due from private Ministry	-	-
Due from County Government	-	-
Total	-	-

e) Due to related parties

	2019/2020	2018/2019
	KShs	KShs
Due to private Ministry	-	-
Due to County Government	-	-
Due to Key Management personnel	-	-
Total	-	-

23. Contingent liabilities and contingent liabilities

Contingent	2019/2020	2018/2019
	KShs	KShs
Court cases	-	-
Bank guarantees	-	-
Total	-	-

BARINGO COUNTY CO-OPERATIVE DEVELOPMENT FUND
Reports and Financial Statements
For the year ended June 30, 2020

8. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

					<i>date when you the issue to be resolved)</i>

Guidance Notes:

- a) Use the same reference numbers as contained in the external audit report;
- b) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- d) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to County Treasury.

