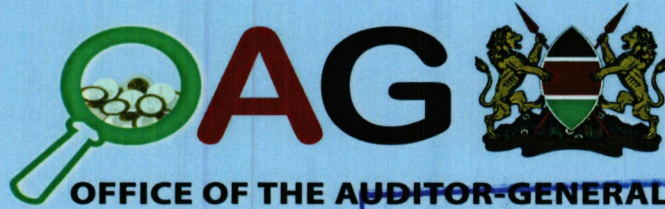


REPUBLIC OF KENYA

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REPORT

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ON

**BOMET COUNTY EXECUTIVE CAR LOAN AND
MORTGAGE SCHEME FUND**

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



BOMET COUNTY CAR LOAN AND MORTGAGE SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

04 DEC 2020

**Bomet County Government Car Loan & Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June, 2020**

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**Bomet County Government Car Loan & Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June, 2020**

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The purpose of the fund is to provide loans for the purchase of vehicles by members of the scheme.

Bomet County Government Car Loan and Mortgage Fund is established by and derives its authority and accountability from Section 116 of Public Finance Management Act, 2012. The Fund is wholly owned by the County Government of Bomet County Government and is domiciled in Kenya.

The Fund was operationalized under the Public Finance Bomet County (State and Public Officers) Car Loan and Mortgage Scheme Fund Regulations, 2018.

The fund's objective is to provide financial assistance to provide loan scheme for the purchase of vehicles, purchase and/or development or renovation or repair of property by members of the scheme. The Fund's principal activity is to disburse loans to members.

The Bomet County Car Loan and Mortgage Scheme Fund was operationalized on 13th February 2018. The Fund began advancing car loans and mortgage to members of the County Executive in July 2018.

b) Principal Activities

The principal activity/mandate of the Fund is to provide car loans and mortgage to members (State and Public Officers).

c) Fund Administration Committee

Ref	Name	Position
1	Milcah Chepkoech Rono	Chairperson
2	Oscar Sang	V. Chairperson
3	Wesley Sigei	Member
4	Kipngetich Towett	Member
5	Alfred Odongo	Member
6	Charles Koech	Fund Administrator

Bomet County Government Car Loan & Mortgage Scheme Fund
Reports and Financial Statements
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d) Key Management

Ref	Name	Position
1	Milcah Chepkoech Rono	Chairperson
2	Oscar Sang	V. Chairperson
3	Wesley Sigei	Member
4	Kipngetich Towett	Member
5	Alfred Odongo	Member
6	Charles Koech	Fund Administrator

e) Fund Headquarters

P.O. Box 19 – 20400
Bomet, KENYA
Off Narok Sotik Highway

f) Fund Contacts

Telephone: (+254) 0202084070
E-mail: info@bomet.go.ke
Website: www.bomet.go.ke

g) Fund bankers

Equity Bank-Bomet Branch
A/C NO 1220277299764

h) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084 – GPO 00100
Nairobi, Kenya







i) Principal Legal Advisor

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

**Bomet County Government Car Loan & Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June, 2020**

2. THE FUND ADMINISTRATION AND MANAGEMENT TEAM

During the Financial Year Ending 30th June, 2020, the fund was administered by the following committee members:

Name	Details of qualifications and experience
<p>Milcah Chepkoech Rono</p> 	<p>Ms. Milcah is the Chief Officer Economic Planning and Acting. Chief Officer, Finance. She has MA Economics, BA Economics and CPA (II). She has over 12 years working experience most of which in different capacities. She is the chairperson of the fund</p>
<p>Mr. Oscar Sang</p> 	<p>Mr. Sang is the Director in charge of Legal Services at the County (County Attorney). He holds Masters of Law (LLM) from UCT, Bachelor's Degree in Law (LLB) from Moi University and Diploma in Law from KSL. He has over 15 years litigation experience. He is the vice chairperson of the fund</p>
<p>Mr. Wesley Sigei</p> 	<p>Mr. Sigei is the Director Human Resource Management at the County. He has Bachelors and Higher Diploma in HRM with over 28 years working experience. He is a Member of IHRM with practicing certificate. He serves as a member of the fund</p>
<p>Mr. Kipngetch Towett</p> 	<p>Mr. Towett is the Director Administration. He has over 15 years working experience. He holds Master's Degree in Education, Bachelor of Education, Post Graduate Diploma in Management and CPS (II). He serves as a member of the fund</p>
<p>Mr. Alfred Adongo</p> 	<p>Mr. Adongo is the Senior Administrative Officer in the Department of Social Services. He has MBA, BA Sociology, CPS and over 17 years working experience. He serves as a member of the fund</p>
<p>Mr. Charles Cheruiyot Koech</p> 	<p>Mr. Koech is the Director ICT. He has Masters in IT, Bachelor's Degree in Computer Science, Post Graduate Diploma in Project Management and Senior Management Course (SMC). Koech has over 13 years working experience. He is the fund administrator and secretary to the fund.</p>

3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'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 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.

Strategic Development Objectives

The County's 2018-2022 CIDP has identified 34 key strategic development objectives. Broadly, these objectives have been identified through a participatory process that reviewed the development priorities of the Governor's Manifesto, the National Government's "Big Four" and SDGs and the MTP III.

The strategic objectives are a synthesised product of the afore-mentioned planning frameworks that amalgamate the thematic focus and development aspirations in these policy frameworks.

The key development objectives of the department of Human Resource as Bomet County's 2018-2022 CIDP are to:

1. Development of policies that prioritize economic opportunities to reduce poverty across the County
2. Enhance access to water for domestic use and for irrigation
3. Proper management of the County natural resources
4. Improve road network across the County by grading and murraming at least 20kms of roads per ward annually
5. Comprehensive town and urban plans that ensure cleanliness and efficient provision of services to the public

**Bomet County Government Car Loan & Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June, 2020**

6. Enhance access to electricity and ensure that every part of Bomet County is connected to power
7. Develop a strong health system with improved maternal and child care services and enhanced drugs storage and distribution
8. Establishment of well-equipped modern learning ECD centres in every public primary school and creating an education fund to cater for unprivileged students in secondary schools as well as a revolving fund for students in tertiary institutions
9. Empowerment of youths, women and persons with disabilities
10. Enhance public participation to strengthen good governance, accountability and inclusivity

Progress on Attainment of Strategic Development Objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

DEPARTMENT OF FINANCE & ECONOMIC PLANNING

Department	Objectives	Outcome	Indicator	Performance
Finance & Economic Planning	<ul style="list-style-type: none"> • To attract, motivate and retain qualified workforce through provision of low interest car loan and mortgage • To ensure sustainable revolving loans fund 	Motivated workforce	No. of staff benefiting from revolving fund	In FY 19/20, 5 staff benefited from revolving fund

**Bomet County Government Car Loan & Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June, 2020**

4. FUND CHAIRPERSON'S REPORT

I have the pleasure of presenting to you the Annual Report and Financial Statements for the year ended 30th June, 2020 on behalf of the Bomet County Car Loan and Mortgage Scheme Management Committee

Fund performance

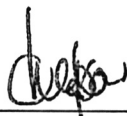
The Fund had a balance brought forward of Ksh. 4,939,031.65 from the FY 2018/19. Additional Ksh. 14,413,880.00 was received during the FY 2019/20. During the year, Ksh. 7,700,00 and Ksh. 3,600,000.00 were disbursed as Car Loan and Mortgage respectively.

Strategy

The disbursement of funds during the year targeted state officers which included Executive which included Governor, Deputy Governor, County Secretary, new CECs and COs. Legible new County Public Service Board (CPSB) members were also included. It was further cascaded to other public servants who met the legibility criteria so as to conform to fund's spirit of attracting, motivating and retaining qualified civil servants in the public sector.

Conclusion

The committee administering the fund is fully committed to maximizing stakeholders' value and assisting the County in fulfilment of Section 12 (7) of the County Governments Act 2012 while fulfilling the spirit of the Salaries and Remuneration Commission of attracting, motivating and retaining qualified workforce.



Milcah Chepkoech Rono

Fund Chairperson

County Government of Bomet Car Loan and Mortgage Scheme Fund

**Bomet County Government Car Loan & Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June, 2020**

5. REPORT OF THE FUND ADMINISTRATOR

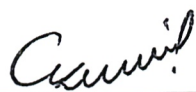
In accordance with Bomet County Car Loan and Mortgage Scheme Fund Regulations (2018), SRC circular and PFM Act (2012), the County Government of Bomet Car Loan and Mortgage Scheme Fund hereby presents the report for the FY 2019/20 covering the period 1st July, 2019 to 30th June, 2020.

The Car Loan and Mortgage Scheme Fund had Balance Brought Forward of Ksh. 4,939,031.65 with additional Ksh. 14,413,880.00 received during the financial year. During the period, there was total disbursements (Both Car and Mortgage) of Ksh. 11,300,000 with principal repayments totalling Ksh.12,024,414.80 with interests of Ksh.941,879.60. Ksh. 717,050 was incurred as administrative charges resulting from committee allowances paid as per SRC Circular dated 16th April, 2014 and Ministry of Devolution and Planning Circular dated 2nd August, 2013. Bank charges incurred during the year was Ksh. 3,480 while Ksh.104,260.20 was refunded to a member due to over deduction after clearing of the loan.

The challenge experienced during the period was low uptake of mortgage due to stringent requirements in addition to overcommitted payslips for most staffs.

As a team, we are committed to serving public better every day while adhering to existing regulations governing management of the Fund. We are focusing on future goals including improving the welfare of our staff that will build our County to greatness.

Signed: _____



**Charles Koech
Fund Administrator
County Government of Bomet Car Loan and Mortgage Scheme Fund**

6. CORPORATE GOVERNANCE STATEMENT

The County Government of Bomet is committed to best practice and has adopted the Salaries and Remuneration Commission (SRC) guidelines and Principles in implementing the civil servants' car loans and mortgages schemes. These principles are used as a guide to best practice in dealing with these loans. The county executive wishes to report this corporate governance statement as part of its commitment to preserving stakeholder's confidence.

The County Government of Bomet passed the regulations on 13th February 2018 which guide the implementation of the SRC recommendation on state officers and civil servant's car loans and mortgages. These regulations are namely; 1) Regulations for the Operationalization of the Bomet county state and public officers' Car Loan Funds Scheme and 2) Regulations for the operationalization of the Bomet county state and public officers' Mortgage Funds Scheme.

Committee Composition

Section 6 (1) of the Regulations established a loans management committee known as the Car and Mortgage Loan Management Committee. It is the only body mandated to oversee the implementation of the said schemes. Its membership consist of:-

- a) The Chief Officer responsible for Finance who shall be the chairperson.
- b) The Head of Human Resource Department
- c) The Head of legal services.
- d) Two members of staff to be appointed by the County Secretary
- e) The Fund Administrator (ex-officio) appointed by the County Executive Member for Finance

Section 6 (4) of the said regulations provides the loans management committee with mandate to consider when conducting and approving disbursements of loan applications presented by the fund administrator.

Oversight role

The County Executive provides direction with a focus on consistent operation of the fund in an atmosphere of transparency and accountability. It retains full control and monitors implementation of the plans and strategies.

In accordance with the principle of good governance, Members of the Committee are required to act in accordance with the highest standards of honesty and integrity as per Chapter Six of the Kenya Constitution 2010. They

**Bomet County Government Car Loan & Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June, 2020**

ensure ethical behaviour and compliance with relevant laws and regulations, audit, and accounting principles, corporate policies, procedures and code of ethics.

Conflict of Interest

The committee is under fiduciary duty to act honestly in the best interest of the institution. Any business transacted must be at arm's length and fully disclosed. They are required to promote diversity across the organisation with regards to age, gender, ethnicity and the cultural background committee members and employees. In dispensing their duties, members cannot discriminate any applicant based on the above aspects. There is an elaborate mechanism to monitor and control any conflict of interest at any level.

Committee meeting

The meetings of the Committee are convened by the chairperson or in the absence of the chairperson; the vice-chair person or a member designated by the chairperson at such times as may be necessary for the discharge of the Committee's functions. The committee members are given appropriate and timely agenda for the meeting.

7. MANAGEMENT DISCUSSION AND ANALYSIS

The fund was established by the Salaries and Remuneration Commission (SRC) Circular Ref. No. **SRC/ADM/CIR/1/13 Vol. III (128)** dated **17th December 2014** with aim of enabling public service attract, motivate and retain the best skills in line with the Article 230(5) of the Kenya Constitution. The same was operationalized by the County Government of Bomet in the year 2018 after the passing of the guiding regulations.

Though the schemes have had a positive impact to the welfare of the civil servants, the committee has faced numerous challenges during its implementation. These includes;

a) Overcommitted pay-slips

The loan schemes having been introduced recently, some civil servants have already acquired loans from various commercial banks prior to establishment of the scheme. Therefore, those employees were left with little income which can't be committed further without violating the mandatory minimum one third rule of basic salary. This situation has hindered many of them from applying for the car loans or mortgage.

b) Title Deeds used as security registered in the name of applicant's parents

The regulations direct that, all loans disbursed must be fully secured either with Title Deed or log books either registered under applicant's name or a third party. This poses a serious legal challenge in future if consent to charge is not acquired from the other beneficiaries of the said Title Deed.

c) Lack of Title Deeds

The committee appreciates the fact that some areas are yet to be adjudicated for issuance of Title Deeds. This hinders some members of staff who wish to apply for mortgage loans since they lack the necessary lien for the loan.

The expectation of every member is that all civil servants will indeed realize the advantages of having these commendable schemes and purpose to secure one as we pursue the duty of serving the citizens of Kenya.

8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The Scheme did not undertake any CSR during the year but will consider in subsequent financial years. The Fund intends to use part of administration fees to carry out CSR.

**Bomet County Government Car Loan & Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June, 2020**

9. REPORT OF THE FUND COMMITTEE

The Fund Committee submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are to facilitate in attraction, motivation and retention of the best skills in the public service in line with the Article 230(5) of the Kenya Constitution.

Results

The results of the Fund for the year ended June 30, 2020 are set out on page 1 to 6

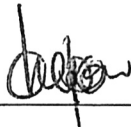
Fund Committee

The members of the Fund Committee 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.

By Order of the Fund Committee



Date: 21/9/2020

**Milcah Chepkoech Rono
Fund Chairperson
County Government of Bomet Car Loan and Mortgage Scheme Fund**

**Bomet County Government Car Loan & Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June, 2020**

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 Bomet County Car Loan & Mortgage (State and Public Officers) Scheme Fund Regulations, 2018 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, 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 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 Bomet County Car Loan & Mortgage (State and Public Officers) Scheme Fund Regulations, 2018. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 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 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.

**Bomet County Government Car Loan & Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June, 2020**

Approval of the financial statements

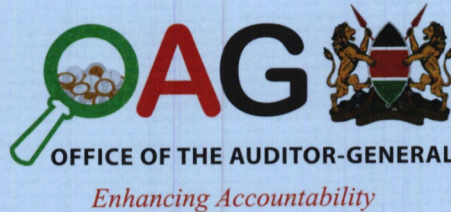
The Fund's financial statements were approved by the Fund Committee on
2119 2020 and signed on its behalf by:



Administrator of the County Public Fund
County Government of Bomet Car Loan and Mortgage Scheme Fund

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON BOMET COUNTY EXECUTIVE CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Bomet County Executive Car Loan and Mortgage Scheme Fund set out on pages 1 to 36, which comprise of the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Bomet County Car Loan and Mortgage Scheme 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. Inaccuracies in the Financial Statements

The statement of financial position and as disclosed in Note 12 to the financial statements reflects current portion of long-term receivables from exchange transactions balance of Kshs.37,748,997. However, the ledger provided included loans due within one (1) year but was not separately classified and disclosed as current portion of receivables from exchange transactions in the financial statements. Further, the statement of comparison of budget and actual amounts reflects interest income budget of Kshs.2,000,000 and actual interest income of Kshs.941,880. However, the statement reflects nil performance difference instead of the actual variance of Kshs.1,058,120.

Consequently, the accuracy of the financial statements of the Fund could not be confirmed.

2. Unsecured Mortgage Loan

The statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.37,748,997 as at 30 June, 2020, which includes a mortgage loan of Kshs.10,000,000 advanced to the late Governor. However, the title deed relating to the property financed from the Fund was not in the custody of the officer administering the Fund as required by Regulation 16(2) of the Bomet County (Staff and Public Officers) Mortgage Scheme Fund Regulations, 2018.

Further, records provided indicated that the loan was in arrears of Kshs.7,813,023 as at 30 June, 2020, although the County Executive Committee in a meeting held on 25 February, 2020 resolved the loan to be written off. However, Regulation 16(1) of the Bomet County (Staff and Public Officers) Mortgage Scheme Fund Regulations, 2018 requires a borrower to take out and maintain mortgage protection policy with an insurance firm approved by the Committee, the cost of which shall be paid out of the Fund and debited in the borrower's account. It is therefore not clear why the Committee resolved to write off the loan instead of seeking for a claim from the insurance firm. In addition, no specific provision for bad and doubtful debts has been made in these financial statements.

Under the circumstances, the accuracy and fair statement of the reported receivables from exchange transactions balance of Kshs.37,748,997 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 Bomet County Executive Car Loan and Mortgage Scheme Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Key Audit Matters

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

Other Matter

1. Unresolved Prior year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given satisfactory explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board

templates and The National Treasury and Planning Circular reference No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2020, indicate that the Fund had a revenue and expenditure budget of Kshs.22,000,000. Further, the Fund realized actual revenue of Kshs.15,355,760 and actual expenditure of Kshs.12,658,093 resulting to revenue shortfall and under expenditure of Kshs.6,644,240 and Kshs.9,341,907 respectively. However, the Fund Management did not provide explanations for the variances noted.

The underperformance implies that the planned activities of the Fund were not achieved as planned, impacting negatively on provision of loans to the members of the Fund.

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. Irregular Consolidation of Two Separate Funds

As previously reported, the County Assembly enacted two separate funds in 2018 namely; Bomet County Executive (State and Public Officers) Car Loan Fund and Bomet County Mortgage Scheme Fund vide Legal Notices No.2 and No.3 respectively of February, 2018. However, Management prepared and submitted for audit consolidated financial statements for the funds for the year ended 30 June, 2020. Although, the operations of the two funds are not distinct, no legislation has been passed for the consolidation of the two funds.

2. Irregular Disbursement of Car Loans

As disclosed in Note 12 to the financial statements, the statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.37,748,997 as at 30 June, 2020. However, as previously reported, motor vehicles purchased through the Scheme were not jointly registered with the borrower and County Government of Bomet as required by Regulation 8(2) of Bomet County Executive Car Loan (State and Public Officers) Scheme Fund Regulations, 2018. No

evidence was provided to indicate that the vehicles purchased under the Scheme were comprehensively insured as required by Regulation 13(1) of the Scheme. The Management therefore, 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 matter 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 Risk Management Policy

During the year under review, the Fund did not have a risk management policy in place and therefore, had no approved processes and guidelines on how to mitigate operational, legal and financial risks. This is contrary to Regulation 158(1)(a) and (b) of the Public Finance Management Regulations 2015 (County Governments) which requires the Accounting Officer to develop risk management strategies, which include fraud prevention mechanism and internal control that builds robust business operations.

In the circumstances, the adequacy and effectiveness of the risk management strategies and controls put in place could not be established.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards

(Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the 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 the 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 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

17 February, 2022

12. FINANCIAL STATEMENTS

12.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE, 2020

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1		
Transfers from the County Government	2		
Fines, penalties and other levies	3		
Revenue from exchange transactions			
Interest income	4	941,879.60	595,948.00
Other income	5	-	-
Total revenue		941,879.60	595,948.00
Expenses			
Fund administration expenses	6	717,050.00	282,200.00
Staff Costs	7	-	-
General expenses	8	1,354,613	-
Finance cost	9	3,480.00	5,565.00
Total expenses		2,075,143	287,765.00
Other gains/losses			
Gain/loss on disposal of assets	10	-	-
Surplus/(deficit) for the period		(1,133,264.60)	308,183.00

The notes set out on pages 7 to 36 form an integral part of these Financial Statements

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12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2020

	Note	FY 2019/20	FY 2018/19
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	11	18,839,802.85	4,939,031.65
Current portion of long-term receivables from exchange transactions	12	37,748,996.55	38,369,151.35
Prepayments	13		
Inventories	14	-	-
Non-current assets			
Property, plant and equipment	15	-	-
Intangible assets	16	-	-
Long term receivables from exchange transactions	12	-	-
Total assets		56,588,799.40	43,308,183.00
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	19	-	-
Total liabilities		-	-
Net assets			
Revolving Fund		57,413,880	43,000,000
Reserves		-	-
Accumulated surplus		(825,080.60)	308,183.00
Total net assets and liabilities		56,588,799.40	43,308,183.00

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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 21st 2020 and signed by:



Administrator of the Fund
Name: Charles Koech



Fund Accountant
Name: Erick Chepkwony

ICPAK Member Number:18039

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12.3. STATEMENT OF CHANGES IN FUND BALANCES AS AT 30 JUNE, 2020

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1st July 2018	28,000,000		-	28,000,000
Surplus/(deficit) for the period			308,183	308,183.00
Funds received during the year	15,000,000			15,000,000
Revaluation gain			-	-
Balance as at 30th June 2019	43,000,000		308,183	43,308,183.00
Balance as at 1st July 2019	43,000,000		308,183	43,308,183.00
Surplus/(deficit) for the period			(1,133,264.60)	(1,133,264.60)
Funds received during the year	14,413,880			14,413,880
Revaluation gain			-	-
Balance as at 30th June 2020	57,413,880		(825,081.60)	56,588,799.40

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12.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE, 2020

	Note	FY2019/20	FY2018/19
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government		14,413,880	15,000,000
Interest received			
Receipts from other operating activities		-	-
Total Receipts		14,413,880	15,000,000
Payments			
Fund administration expenses		717,050	282,200
General expenses		1,354,613	-
Finance cost		3,480	5,565
Total Payments		2,179,403.20	287,765.00
Net cash flows from operating activities	21	12,234,476.80	14,712,335
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		12,024,414.80	6,784,639.69
Loan disbursements paid out		-11,300,000	-45,153,791
Net cash flows used in investing activities		724,414.80	38,369,151.31
Cash flows from financing activities			
Proceeds from revolving fund receipts		941,879.60	595,947.96
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		941,879.60	595,947.96
Net increase/(decrease) in cash and cash equivalents		13,900,771.20	- 23,060,968.35
Cash and cash equivalents at 1 st July 2019	11	4,939,031.65	28,000,000
Cash and cash equivalents at 30 JUNE,2020	11	18,839,802.85	4,939,031.65

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12.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE, 2020

	Original Budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	2020	2020	2020	2020	2020	2020
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations	-	-	-	-	-	-
Transfers from County Govt.	20,000,000		20,000,000	14,413,880	7,586,120	66%
Interest income	2,000,000		2,000,000	941,879.60		-
Other income						-
Total income	22,000,000		22,000,000	15,355,759.6	7,586,120	70%
Expenses						
Fund administration expenses	930,000		930,000		717,050	77.10%
Staff costs	-		-		-	-
General expenses	1,500,000		1,500,000	1,354,613	145,387	90%
Finance cost	5,000		5,000	3,480	1520	70%
Disbursements	19,565,000		19,565,000	11,300,000	8,265,000	58%
Total expenditure	22,000,000		22,000,000	12,658,093	9,341,907	56%
Surplus for the period	0	-	0	2,697,666.6		

12.6. 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 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.

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 2019 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 30th 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

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Standard	Effective date and impact:
	<p>characteristics of the asset's cash flows and the objective for which the asset is held;</p> <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.
<p>IPSAS 42: Social Benefits</p>	<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.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on</p>

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Standard	Effective date and impact:
	classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>
	IPSAS 40, Public Sector Combinations. Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued

c) Early adoption of standards

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 original budget for FY 2019/2020 was approved by the County Assembly on 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.

The Fund's budget is based on the approved budget and the administration costs to be not more than 3%

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 labor 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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retirement benefits are charged against income in the year in which they become payable.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

18. Ultimate and Holding Entity

The entity is a County Public Fund established by Public Finance Bomet County (State and Public Officers) Car Loan and Mortgage Scheme Fund Regulations, 2018. Its ultimate parent is the County Government of Bomet.

19. Currency

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

20. 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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 JUNE, 2020				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
	-	-	-	-
At 30 June 2019	-	-	-	-
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

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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 company 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 none.

The Fund Committee 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 1-12 months	Over 12 months	Total
	KShs	KShs	KShs	KShs
At 30 JUNE, 2020				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30th June 2019	-	-	-	-
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

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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:

		Other currencies	Total
	KShs	KShs	KShs
As at 30 JUNE, 2020			
Financial assets (investments, cash ,debtors)	-	-	-
Liabilities	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

The Fund manages foreign exchange risk form future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

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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
2020			
Euro	10%	-	-
USD	10%	-	-
2019		-	-
Euro	10%	-	-
USD	10%	-	-

ii. Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company'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.

**Bomet County Government Car Loan & Mortgage Scheme Fund
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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	-	-	-

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12.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

2. Transfers from County Government

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Transfers from County Govt. – operations	14,413,880	15,000,000
Payments by County on behalf of the entity		
Total	14,413,880	15,000,000

3. Fines, penalties and other levies

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Late payment penalties	-	-
Fines	-	-
Total	-	-

4. Interest income

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Interest income from loans(mortgage or car loans	941,879.60	595,947.96
Total interest income	941,879.60	595,947.96

Interest resulting from 3% charged on loans borrowed

Bomet County Government Car Loan & Mortgage Scheme Fund
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5. Other income

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income	-	-
Total other income	-	-

6. Fund administration expenses

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Loan processing costs/Allowances	717,050	282,200
Professional services costs	-	-
Total	717,050	282,200

7. Staff costs

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
Total	-	-

**Bomet County Government Car Loan & Mortgage Scheme Fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses - KRA	1,354,613.00	-
Total	1,354,613.00	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Interest on Bank overdrafts		
Interest on loans from banks		
Bank charges	3,480	5,565
Total	3,480	5,565

10. Gain on disposal of assets

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

11. Cash and cash equivalents

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Fixed deposits account	-	
On – call deposits	-	
Current account	18,839,802.85	4,939,031.65
Others	-	-
Total cash and cash equivalents	18,839,802.85	4,939,031.65

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Financial institution	Account number	FY2019/2020	FY2018/2019
		KShs	KShs
a) Fixed deposits account			
Kenya Commercial bank			
Equity Bank, etc			
Sub- total			
b) On - call deposits			
Kenya Commercial bank			
Equity Bank - etc			
Sub- total			
c) Current account			
Kenya Commercial bank			
Equity Bank-Bomet - 1220277299764		18,839,802.85	4,939,031.65
Sub- total		18,839,802.85	4,939,031.65
d) Others(specify)			
Cash in transit			
Cash in hand			
M Pesa			
Sub- total			
Grand total			

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12. Receivables from exchange transactions

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Current Receivables		
Interest receivable	0	0
Current loan repayments due	37,748,996.55	38,369,151.35
Other exchange debtors		
Less: impairment allowance		
Total Current receivables	37,748,996.55	38,369,151.35
Non Current receivables		
Long term loan repayments due	-	-
Total Non current receivables	-	-
Total receivables from exchange transactions	37,748,996.55	38,369,151.35

**Bomet County Government Car Loan & Mortgage Scheme Fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Prepayments

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Total	-	-

14. Inventories

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
Total inventories at the lower of cost and net realizable value	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1 st July 2018	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	(-)	(-)	-	-	(-)
Transfers/adjustments	-	(-)	-	(-)	(-)
At 30 th June 2019	-	-	-	-	-
At 1 st July 2019					
Additions	-	-	-	-	-
Disposals	(-)	-	-	-	(-)
Transfer/adjustments	(-)	-	-	(-)	(-)
At 30 JUNE,2020	-	-	-	-	-
Depreciation and impairment					
At 1 st July 2018	(-)	(-)	(-)	(-)	(-)
Depreciation	(-)	(-)	(-)	(-)	(-)
Impairment	(-)	-	-	-	(-)
At 30 th June 2019	-	-	-	-	-
At 1 st July 2019					
Depreciation	(-)	(-)	(-)	-	(-)
Disposals	-	-	-	-	-
Impairment	(-)	(-)	-	-	(-)
Transfer/adjustment	-	(-)	(-)	-	-
At 30 JUNE,2020	-	-	-	-	-
Net book values					
At 30 th June 2019	-	-	-	-	-
At 30 th June 2020	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

Description	FY2019/2020	FY2018/2019
	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	FY2019/2020	FY2018/2019
	KShs	KShs
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
Total trade and other payables	-	-

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Transfers from non-current provisions	-	-	-	-
Total provisions	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestics borrowings during the period	-	-
Balance at end of the period	-	-

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

	FY2019/2020	FY2018/2019
	KShs	KShs
External Borrowings		
Dollar denominated loan	-	-
Sterling Pound denominated loan	-	-
Euro denominated loan	-	-
Domestic Borrowings	-	-
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
Total balance at end of the year	-	-

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

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
Total	-	-

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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

	FY2019/2020	FY2018/2019
	KShs	KShs
Surplus for the year before tax		
Adjusted for:		
Depreciation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
Working Capital adjustments	-	-
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	-	-

22. Related party balances

a) Nature of related party relationships

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

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Fund Committee; etc

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	FY2019/2020	FY2018/2019
	KShs	KShs
Transfers from related parties'	-	-
Transfers to related parties	-	-

c) Key management remuneration

	FY2019/2020	FY2018/2019
	KShs	KShs
Fund Committee	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

	FY2019/2020	FY2018/2019
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	-	-
Total	-	-

e) Due to related parties

	FY2019/2020	FY2018/2019
	KShs	KShs
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Total	-	-

23. Contingent assets and contingent liabilities

Contingent liabilities	FY2019/2020	FY2018/2019
	KShs	KShs
Court case against the Fund	-	-
Bank guarantees	-	-
Total	-	-

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13. 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 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	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

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.