REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KERICHO COUNTY ASSEMBLY MEMBERS CAR LOAN AND MORTGAGE SCHEME FUND

FOR THE YEAR ENDED 30 JUNE, 2018

KERICHO COUNTY ASSEMBLY MEMBERS CAR LOAN AND MORTGAGE SCHEME FUND

AMENDED ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

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

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Kericho County Assembly Members Car Loan & Mortgage Scheme Fund is established by and derives its authority and accountability from Article 230 of the constitution and section 13 of the Salaries and Remuneration Commission Act, 2011. County Assembly of Kericho has established appropriate regulations to guide the implementation for the benefits to its /members. The Public Finance Management (Kericho County Assembly Car Loan and Mortgage Scheme) Fund Regulations, 2014. The Fund is wholly owned by the County Assembly of Kericho and is domiciled in Kenya.

The Fund's principal activity is to facilitate Members of the County Assembly to purchase residential houses and motor vehicles.

b) Principal Activities

The principal activity of the Fund is to facilitate members of the county assembly acquire and build their residential houses as well as purchase of motor vehicles to facilitate them discharge their mandate effectively.

c) Board of Trustees

Ref	Name	Position
1	Ho.Hezron Ng'etich	Chairperson
2	Hon.Nancy Kimeto	Vice Chair
3	Hon.Benard Mutai	Member
4	Hon.Gilbert Ng'etich	Member
5	Hon.Humprey Kirui	Member
6	Mr.Martin Epus	Secretary
7	Mrs.Sharon Mibey	Member
8	Mr.Aggrey Kirui	Member
9	Mr.Josphat Mibei	Secretariat
10	Mrs.Rose Chelangat	Fund Accountant

d) Key Management

Ref	Name	Position
1	Mr.Martin Epus	Clerk to the County Assembly of Kericho
2	Mrs.Sharon Mibey	Deputy Clerk
3	Mr.Aggrey Kirui	Principal Finance Officer
4	Mr.Josphat Mibei	Secretariat
5	Mrs.Rose Chelangat	Fund Accountant

e) Registered Offices

Kericho County Assembly Headquarters

P.O.BOX 1526-20180

Kericho.

f) Contacts

Telephone:(254) 745169000
E-mail: www.assembly.kericho.go.ke

g) Fund Bankers

Family Bank Limited,
P.O. Box 74145-00200,
Nairobi, Kenya

h) Independent Auditors

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

i) Principal Legal Adviser

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

2. THE BOARD OF TRUSTEES

Name	Details of qualifications and experience
	Hon. Hezron Ng'etich is the Chairperson of the Board. He is the elected Member of County Assembly representing Chilchila Ward and the Majority Leader of the County Assembly.
	Hon. Nancy Langat is the Vice Chairperson of the Board. She is the elected Member of County Assembly representing Tebesonik Ward and the Vice Chairperson of Public Accounts and Investment Committee.
	Hon. Benard Mutai is a Member of the Board and the elected Member of County Assembly representing Kipchimchim Ward and a member of the County Assembly Service Board.
	Hon. Gilbert Ng'etich is a Member of the Board and the elected Member of County Assembly representing Kisiara Ward. He is also the Chief Whip of the County Assembly.
	Hon. Humphrey Kirui is a Member of the Board. He is the elected Member of County Assembly representing Kapsuser Ward and the Vice Chairperson of Youth, Culture and Social Services.

	Mr. Martin Epus is the Secretary of the Board and also the Clerk to the County Assembly. He was born in 1971. Mr.Epus holds a Master of Business Administration, Bachelors degree in Arts, Post Graduate Diploma in HRM, CPS final and a member of institute of Certified Public Secretaries of Kenya (ICPSK).
	Ms. Sharon Mibey is a Member of the Board and also the Deputy Clerk to the County Assembly. She was born on 23/05/1987. Sharon holds LLB (Bachelors Degree in Law) as wells as post graduate Diploma from the Kenya School of Law.
	Mr. Aggrey Kirui is a Member of the Board and also the Principal Finance Officer of the County Assembly. He was born on 10/04/1972. Aggrey holds a Master Degree of Commerce, Bachelors Degree in Commerce (Accounts and Auditing) and a Diploma in computer Applications.
	Mr. Josphat Mibei is a Member of the Board and an Accountant of the County Assembly. He was born on 01/10/1987. He is a holder of Bachelors degree in business administration, CPA Final and a member of institute of Certified Public Accountant of Kenya (ICPAK).
	Ms. Rose Chelangat is the Fund Accountant and also head of Accounts in the Assembly. She was born on 21/04/1980. She holds Bachelors degree of commerce (Accounting option), CPA Final and a member of Institute of Certified Public Accountant of Kenya (ICPAK).

3. STATEMENT OF PERFORMANCE AGAINST COUNTY ASSEMBLY'S STRATEGIC OBJECTIVES

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key strategic objectives of the County Assembly are as follows:

1. To enhance Knowledge and Expertise of Member of County Assembly for effective representation, legislation, oversight, openness, and accountability;
2. To Improve County Assembly Legislative, Administrative and Infrastructural Support Services to enable Members to legislate and perform oversight function more effectively resulting in better utilization of public sector resources;
3. To build adequate Institutional capacity to provide quality, efficient and effective services to the stakeholders and respond adequately to emerging issues;
4. To strengthen County Assembly's Representative Capacity through External Linkages and Partnership with Various Stakeholders to Foster Sustainable Development;
5. To ensure adequate financial resources are available to meet the capital and operational expenditures of the Assembly.

Progress on attainment of Strategic development objectives (*Adopted from Kericho County assembly- Customize as per specific county,*

Below we provide the progress on attaining the stated objectives:

Program 1	Objective	Outcome	Indicator	Performance
Formation of the Car loan and mortgage board	To Improve County Assembly Legislative, Administrative and Infrastructural Support Services to enable Members to legislate and perform oversight function more effectively resulting in better utilization of public sector resources;	Improved oversight and administration of the Car loan and mortgage	Members appointed	**Functional Car Loan and Mortgage Scheme Fund Board**

Capacity Building for Car Loans and mortgage fund Board	To build adequate Institutional capacity to provide quality, efficient and effective services to the stakeholders and respond adequately to emerging issues;	Increased efficiency in administration of car loan and mortgage scheme	Number of trainings	Car loan and mortgage fund board members capacity enhanced
Consultative forums with like-minded industry players	To strengthen County Assembly's Representative Capacity through External Linkages and Partnership with Various Stakeholders to Foster Sustainable Development;	Increased awareness on fund administration challenges	Number of engagements with fund managers	Best practices from similar schemes/ industry replicated
Adherence to Controller of budget and national treasury requirements on requisitions	To ensure adequate financial resources are available to meet the capital and operational expenditures of the Assembly.	Continuous cash flows of the county assembly	Number of requisitions made	Funds availed to County Assembly Members

4. CORPORATE GOVERNANCE STATEMENT

Kericho County Assembly Mortgage Board held meetings to deliberate on issues concerning the fund. The number of meetings should not exceed twelve in a year. The required quorum must be at least two-third at the beginning of each meeting.

Members of the board should be trained on Public Finance Management Act and also regulations that guide issuance of the fund to potential beneficiaries.

Incase there is conflict of interest on a member of the board, such a member should declare his interest and will be exempted to attend that meeting where his contribution will create conflict of interest. Failure to declare such interest is a criminal offence.

5. MANAGEMENT DISCUSSION AND ANALYSIS

This is the Financial Statement for Kericho County Assembly Car Loan and Mortgage Fund for the financial period ended 30th June, 2018. This report was prepared and presented as required by Section 168 of the *Public Financial Management (PFM) Act 2012*. The report expounds on the expenditure incurred by the Kericho County Assembly in Members car loan and Mortgage Scheme Fund provision.

The guiding regulations are the Kericho County Assembly Car Loan and Mortgage Scheme Fund regulations of 2014 in line with the Salary and Remunerations Commission. The Fund Administrator is Family Bank Limited and its primary purpose is to advance loans to Member of County Assembly for purchase of motor vehicles and mortgage.

The key challenges noted during the period included delay in release of funds by the National Treasury.

Signed: ____________________

Martin Epus

COUNTY ASSEMBLY CLERK
07 MAY 2021
KERICHO COUNTY
P.O. Box 154 - 20200, KERICHO.

6. BOARD/FUND CHAIRPERSON'S REPORT

The Kericho County Assembly Members Car Loan and Mortgage scheme Fund is established under the Kericho County Car loan and Mortgage Scheme Fund Regulations, 2014. The administration of the fund is done by Family Bank Limited.

The Fund Board comprises of a team of Members of the County Assembly and the Secretariat as board members playing different roles and in the sub committees of the board to help in administering the fund. The chairperson of the board is the Leader of Majority of the County Assembly.

The Kericho County Assembly Members Car loan and mortgage scheme Fund has over the years benefitted the members in the acquisition of cars to improve mobility and in the housing for decent living. In turn this has translated to better performance in their core mandates. The total beneficiaries of the car loan and mortgage are 47 members of the county assembly, The Speaker and two members of the County Assembly Service Board.

The fund is expected to grow significantly and benefit the members immeasurably. The members will benefit greatly on the car loans and mortgages schemes since the interest is low and can discourage members of the scheme from borrowing loans from other financial institutions whose interest rates are exorbitant.

The Kericho County assembly members Car loans and Mortgage Scheme Fund Board commits to management the fund for the benefit of its members and for overall achievement and realization of the objectives of the County Assembly.

The fund is well managed by the bank and all repayments are put in a fixed deposit so as to earn interest. In this case, the fund is earning the 3% interest as well as interest on fixed deposits thus giving value for money. The members who have benefited from it are happy to have enabled them to get land and build their own houses as well as acquiring motor vehicles hence facilitating the implementation of their mandate.

Signed: ______________________

HON. HEZRON KIPNGENO NGETICH

7. REPORT OF THE FUND ADMINISTRATOR

The Kericho County Assembly Car Loan and Mortgage scheme Fund is established under the department of Finance and Economic Planning. The administration of the fund is done by Family bank which was sourced competitively.

However, there is a management board which comprises of a team of Members of the County Assembly and the Secretariat as board members playing different roles and in the sub committees of the board. The chairperson of the board remains the Leader of Majority of the County Assembly and the Secretary of the Fund is the clerk of the County Assembly.

The Kericho County Assembly Members Car loan and mortgage scheme Fund has over the years benefitted the members in the acquisition of cars to improve mobility and in the housing for decent living. In turn this is expected to translate to performance in their core mandates. The total beneficiaries of the car loan and mortgage are 47 members of the county Assembly, The Speaker and two members of the County Assembly Service Board.

The fund is expected to grow significantly and benefit the members immeasurably since the interest is low and can discourage members of the scheme from borrowing loans from other financial institutions.

The Kericho County assembly Members Car loans and Mortgage Scheme Fund Board commits to administering the fund for the benefit of its members and for overall achievement and realization of the objectives of the County Assembly.

There has been no reported case of corruption or conflict of interest as the fund is managed in the most transparent manner.

Signed: ____________________

COUNTY ASSEMBLY CLERK
07 MAY 2021
KERICHO COUNTY
P.O. Box 154 - 20200, KERICHO.

MARTIN EPUS PATRICK

8. REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are to facilitate members of Member of County Assembly to purchase residential houses and to have cars.

Results

The results of the Fund for the year ended June 30, 2018 are set out on page 15-19

Trustees

The members of the Board of Trustees who served during the year are shown on page 3.

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. Certified Public Accountants were nominated by the Auditor General to carry out the audit of the Kericho County Assembly Members Car Loan and Mortgage Scheme Fund for the year/period ended June 30, 2018 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Member of the Board

Date: 07/05/2021

9. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Kericho County Assembly Car Loan and Mortgage Scheme Fund regulations of 2016 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 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, 2018. 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 mis-statements, 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 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 Kericho County Assembly Car Loan and Mortgage Scheme Fund regulations of 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, 2018, 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 Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the

Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board on 07/05 2021 and signed on its behalf by:

Administrator of the County Public Fund

COUNTY ASSEMBLY CLERK
07 MAY 2021
KERICHO COUNTY
P.O. Box 154 - 20200, KERICHO.

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KERICHO COUNTY ASSEMBLY MEMBERS CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kericho County Assembly Members Car Loan and Mortgage Scheme Fund set out on pages 17 to 50, which comprise the statement of financial position as at 30 June, 2018 and statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly in all material respect, the financial position of Kericho County Assembly Members Car Loan and Mortgage Scheme Fund as at 30 June, 2018 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 comply with the Public Finance Management (Kericho County Assembly Members Car Loan and Mortgage Scheme) Fund Regulations 2014.

Basis for Qualified Opinion

1. Comparative Balances

The statement of financial position reflects trade and other receivables comparative balance of Kshs.12,669,075. However, the respective Note 12 reflects comparative balance of Kshs.9,501,806 resulting in an unexplained variance of Kshs.3,167,269. Further, the statement of financial position reflects comparative administration fees outstanding of Kshs.3,167,268 but the respective Note 18 reflects a nil balance resulting in an unexplained variance of Kshs.3,167,268.

In the circumstances, the accuracy of the comparative balances could not be confirmed.

2. Statement of Cashflows

The statement of cashflows reflects cash and cash equivalents at beginning of the year of Kshs.232,301,807. However, the statement of financial position reflects a comparative balance of Kshs.222,800,000 resulting in an unexplained difference of Kshs.9,501,807.

In the circumstances, the accuracy of the statement of cashflows could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kericho County Assembly Members 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 qualified 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 of the current year. 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, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Late Submission of Financial Statements

The Kericho County Assembly Members Car Loan and Mortgage Scheme Fund financial statements for the financial year 2017/2018 were submitted on 22nd of September, 2020 which is contrary to Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate. The Management was therefore 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, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 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 entity 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 going concern 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 as a going concern or 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 as a going concern or 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

07 January, 2022

6. FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30thJUNE 2018

	Note	2017-2018	2016-2017
Revenue from exchange transactions			
Revenue			
Cost of sales			
Gross profit			
Grants from the National Government			
Interest income from loan	4	3,742,489.23	1,299,740.18
Interest from fixed deposit account			
Other gains/(losses)			
TOTAL REVENUES		**3,742,489.23**	**1,299,740.18**
OPERATING EXPENSES			
Fund Administration expenses	6	1,247,493.41	324,935.05
Loan insurance			
Bank Charges			
Tax on committee allowances			
TOTAL OPERATING EXPENSES		(1,247,493.41)	(324,935.05)
PROFIT/(LOSS) BEFORE TAXATION		**2,494,995.82**	**974,805.14**
INCOME TAX EXPENSE/(CREDIT)			
PROFIT/(LOSS) AFTER TAXATION		**2,494,995.82**	**974,805.14**
SURPLUS B/D		**0**	**8,527,001.33**
SURPLUS C/D		**2,494,995.82**	**9,501,806.47**

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 07/05/ 2021 and signed by:

Administrator of the Fund
Name: Martin Epus

Fund Accountant
Name: Rose Chelangat
ICPAK Member Number: 21194

COUNTY ASSEMBLY CLERK
07 MAY 2021
KERICHO COUNTY
P.O. Box 154 - 20200, KERICHO.

KERICHO COUNTY ASSEMBLY
ACCOUNTANT
07 MAY 2021
P.O. Box 1526-20200, KERICHO

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	2017-2018 Kshs	2016-2017 Kshs
ASSETS			
Non-Current Assets			
Long term receivables from exchange transactions	12(b)	215,063,992.11	0
Total Non-Current Assets		**215,063,992.11**	**0**
Current Assets			
Trade and other receivables	12(a)	4,611,489.37	0
Accrued interest for June, 2018	12(a)	467,040.23	12,669,075
Cash and Cash equivalents	11	14,809,961.93	222,800,000
Total Current Assets		**19,888,491.53**	**235,469,075**
Total Assets		**234,952,483.64**	**235,469,075**
EQUITY AND LIABILITIES			
Capital and Reserves			
Exchequer Transfers		232,301,807.11	231,327,001.83
Retained earnings-Surplus		**2,494,995.82**	**974,805.13**
Capital and Reserves		**234,796,802.93**	**232,301,806.96**
Non-Current Liabilities		**0**	**0**
Total Non-Current Liabilities		**0**	**0**
Current Liabilities			
Administration fee outstanding for June, 2018	18	155,680.08	3,167,268.83
Total Current Liabilities		**155,680.08**	**3,167,268.83**
TOTAL EQUITY AND LIABILITIES		**234,952,483.64**	**235,469,075.79**

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 07/05/ 2021 and signed by:

Administrator of the Fund
Name: Martin Epus

Fund Accountant
Name: Rose Chelangat
ICPAK Member Number: 21194

COUNTY ASSEMBLY CLERK
07 MAY 2021
KERICHO COUNTY
P.O. Box 154 - 20200, KERICHO.

KERICHO COUNTY ASSEMBLY
ACCOUNTANT
07 MAY 2021
P.O. Box 1526-20200, KERICHO

STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2018

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2016	222,800,000	-	**8,527,001.33**	231,327,001.33
Surplus/(deficit) for the period	-	-	**974,805.14**	**974,805.14**
Funds received during the year	-	-		
Revaluation gain	-	-	-	-
Balance as at 30 June 2017	222,800,000	-	**9,501,806.47**	**232,301,807.11**
Balance as at 1 July 2017	**232,301,807.11**	-	-	**232,301,807.11**
Surplus/(deficit) for the period		-	**2,494,995.82**	**2,494,995.82**
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2018	**232,301,807.11**		**2,494,995.82**	**234,796,802.93**

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	2017-2018 Kshs	2016-2017 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Transfers from the County Assembly-Treasury			
Total Receipts			
Payments			
Total Payments			
Administration fee paid		(1,091,813.33)	(3,167,268.83)
Net cash flow from operating activities		**(1,091,813.33)**	**(3,167,268.83)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment			
Proceeds from disposal of property, plant and equipment			
Net cash generated from/(used in) investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Mortgage and Car loan advanced to member of county assembly		**(243,425,000)**	
Loans repayments		27,024,967.52	81,435,158.96
Interest from fixed deposits			
Net cash generated from/(used in) financing activities		**(216,400,032.48)**	**81,435,158.96**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(217,491,845.81)**	**78,267,890.13**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**232,301,807.11**	**154,033,916.32**
Effects of foreign exchanges rate fluctuations			
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**14,809,961.30**	**232,301,807.11**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTSFOR THE PERIOD ENDED 30thJUNE 2018

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018
Revenue	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**
Sale of goods					
Sale of services					
Transfers from the Government	232,301,807.11	0	232,301,807.11	232,301,807.11	100%
Donations in kind					
Finance Income-interest on loan	3,742,489.23	0	3,742,489.23	3,742,489.23	100%
Other income- Interest from fixed deposits					
Total income	**236,044,296.34**	0	**236,044,296.34**	**236,044,296.34**	**100%**
Expenses					
Administration expenses	1,247,493.41		1,247,493.41		100%
Total expenditure	(1,247,493.41)	0	(1,247,493.41)	(1,247,493.41)	100%
Surplus for the period	**234,796,802.93**	**0**	**234,796,802.93**	**234,796,802.93**	**100%**

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 2018

Standard	Impact
IPSAS 40: Public Sector Combinations	**Applicable: 1st January 2017** 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 2018

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1stJanuary 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 cashflows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss

Standard	Effective date and impact:
	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	**Applicable: 1st January 2022** 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: (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.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	**Applicable: 1st January 2022:** 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. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other Improvements to IPSAS	**Applicable: 1st January 2021:** 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 b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which

Standard	Effective date and impact:
	should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved 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. 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
	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 2018.

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 2017/2018 was approved by the County Assembly on 26th June 2017. 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 on 27th June 2017 on the FY 2017/2018budget 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 of these financial statements.

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

11. 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.

12. 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.

13. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. 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.

15. 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.

16. 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.

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The entity is a County Public Fund established by Kericho County Assembly Car Loan and Mortgage Scheme Fund, 2014.

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.

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. Additional disclosure of these estimates of provisions is included in the notes.

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.

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:

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2017				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2018				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total				

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 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 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2017				
Trade payables	-	-	-	
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2018				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

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**
At 30 June 2017			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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
2018			
Euro			
USD			
2017			
Euro			
USD			

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 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.

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:

	2017/2018	2018/2017
	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		

NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	2017/2018	2018/2017
	KShs	KShs
Donation from development partners		
Contributions from the public		
Total		

2. Transfers from County Government

Description	2017/2018	2018/2017
	KShs	KShs
Transfers from County Govt. – operations		
Payments by County on behalf of the entity		
Total		

3. Fines, penalties and other levies

Description	2017/2018	2016/2017
	KShs	KShs
Late payment penalties		
Fines		
Total		

4. Interest income from loans

	2017-2018	2016-2017
Description	**Kshs**	**Kshs**
Interest on Member of County Assembly loans	3,742,489.23	1,299,740.18
Total	**3,742,489.23**	**1,299,740.18**

5. Other income

	2017-2018	2016-2017
Description	**Kshs**	**Kshs**
Interest from fixed deposit account		
Bank Refund		
Total		

6. Fund administration expenses

	2017-2018	2016-2017
Description	**Kshs**	**Kshs**
Fund administration cost (A third of interest earned)	1,247,493.41	324,935.05
Total	**1,247,493.41**	**324,935.05**

7. Member of County Assembly costs

Description	2017/2018	2016/2017
	KShs	KShs
Salaries and wages		
Member of County Assembly gratuity		
Member of County Assembly training expenses		
Social security contribution		
Other Member of County Assembly costs		
Total		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	2017/2018	2016/2017
	KShs	KShs
Consumables		
Electricity and water expenses		
Fuel and oil costs		
Insurance costs		
Postage		
Printing and stationery		
Rental costs		
Security costs		
Telecommunication		
Bank Charges		
Hospitality		
Depreciation and amortization costs		
Other expenses		
Total		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

Description	2017/2018	2016/2017
	KShs	KShs
Interest on Bank overdrafts		
Interest on loans from banks		
Total		

10. Gain/(loss) on disposal of assets

Description	2017/2018	2016/2017
	KShs	KShs
Property, plant and equipment		
Intangible assets		
Total		

11. Cash and cash equivalents

Description	2017/2018	2016/2017
	KShs	KShs
Car loan and mortgage account		
Family Bank-Main Account		
Family Bank-Interest Account		
On – call deposits		
Current account	14,809,961.93	222,800,000
Others- Cash in transit - insurance		
Others- Cash in transit – loan repayments		
Total cash and cash equivalents	**14,809,961.93**	**222,800,000**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

		2017/2018	2016/2017
Financial institution	**Account number**	**KShs**	**KShs**
a) **Fixed deposits account**			
Family bank			0
Sub- total			
b) On - call deposits			
Kenya Commercial bank			
Equity Bank - etc			
Sub- total			
c) Current account			
Family bank - Main	022000011142	12,626,326.26	222,800,000
Family bank - interest	022000027965	2,183,635.67	
Sub- total			
d) Others(specify)			
Cash in transit - Insurance			
Cash in transit – Loan repayments			
Cash in hand			
M Pesa			
Sub- total			
Grand total		**14,809,961.93**	**222,800,000**

12. Receivables from exchange transactions

Description	2017/2018	2016/2017
	KShs	**KShs**
a)Current Receivables		
Interest receivable	467,040.23	9,501,806.47
Current loan repayments due	4,611,489.37	
Other exchange debtors		
Less: impairment allowance		
Total Current receivables	**5,078,529.6**	**9,501,806.47**

b)Non-Current receivables	**Kshs**	**Kshs**
Long term loan repayments due	215,063,992.11	0
Total Non- current receivables	215,063,992.11	
Total receivables from exchange transactions	**220,142,521.71**	**0**

Additional disclosure on interest receivable

Description	**2017/2018**	**2016/2017**
	KShs	**KShs**
Interest receivable		
Interest receivable from current portion of long-term loans of previous years		
Accrued interest receivable from of long-term loans of previous years		
Interest receivable from current portion of long-term loans issued in the current year		
Current loan repayments due		
Current portion of long-term loans from previous years		
Accrued principal from long-terms loans from previous periods		
Current portion of long-term loans issued in the current year		

13. Revenue from Non-Exchange transaction

	KShs	**KShs**
Description	**2017/2018**	**2018/2017**
	KShs	**KShs**
Transfer to County Executive		
Total receivables from non-exchange transactions		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Prepayments

Description	2017/2018	2016/2017
	KShs	KShs
Prepaid rent		
Prepaid insurance		
Prepaid electricity costs		
Other prepayments(specify)		
Total		

15. Inventories

Description	2017/2018	2016/2017
	KShs	KShs
Consumable stores		
Spare parts and meters		
Catering		
Other inventories(specify)		
Total inventories at the lower of cost and net realizable value		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1st July 2018					
Additions					
Disposals					
Transfers/adjustments					
At 30th June 2017					
At 1st July 2017					
Additions					
Disposals					
Transfer/adjustments					
At 30th June 2018					
Depreciation and impairment					
At 1st July 2018					
Depreciation					
Impairment					
At 30th June 2017					
At 1st July 2017					
Depreciation					
Disposals					
Impairment					
Transfer/adjustment					
At 30th June 2018					
Net book values					
At 30th June 2017					
At 30th June 2018					

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets-software

Description	**2017/2018**	**2016/2017**
	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		

18. Current liabilities

Description	**2017/2018**	**2016/2017**
	KShs	**KShs**
Fund administration expenses	155,680.08	0
Loan insurance payable		
Prepaid insurance		
Other payables - Tax		
Prepaid instalments		
Total trade and other payables	**155,680.08**	0

19. Provisions

Description	**Leave provision**	**Bonus provision**	**Other provision**	**Total**
	KShs	**KShs**	**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 (30.06.2017)				

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Borrowings

Description	2017/2018	2016/2017
	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:

	2017/2018	2016/2017
	KShs	KShs
External Borrowings		
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	2017/2018	2016/2017
	KShs	KShs
Short term borrowings(current portion)		
Long term borrowings		
Total		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. CHANGES IN RECEIVABLE

Description	2017 - 2018	2016 - 2017
	KShs	KShs
Account receivable as at 1st July 2017 (A)	0	**80,135,418.78**
Account receivable issued during the year (B)	243,425,000	0
Account receivable settled during the Year (C)	23,749,518.52	**80,135,418.78**
Net changes in account receivables D= A+B-C	**219,675,481.48**	**0**

22. CHANGES IN ACCOUNTS PAYABLE

Description	2017 - 2018	2016 - 2017
	KShs	KShs
Accounts Payable as at 1st July 2017 (A)	0	**2,842,333.78**
Accounts Payable held during the year (B)	155680.08	0
Accounts Payable paid during the Year (C)	0	**2,842,333.78**
Net changes in account receivables D= A+B-C	**155680.08**	**0**

23. 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				

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Cash generated from operations

	2017/2018	2016/2017
	KShs	KShs
Surplus/ (deficit) for the year before tax	**2,494,995.82**	**974,805.14**
Adjusted for:		
Depreciation	0	0
Amortisation	0	0
Gains/ losses on disposal of assets	0	0
Interest income	(3,742,489.23)	(1,299,740.18)
Finance cost	0	0
Working Capital adjustments		
Increase in inventory	0	0
Increase in receivables	0	0
Increase in payables	155680.08	3,492,203.04
Net cash flow from operating activities	**(1,091,813.33)**	**(3,167268.83)**

25. Related party balances

a) Nature of related party relationships

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	2017/2018	2016/2017
	KShs	KShs
Transfers from related parties'		
Transfers to related parties		

c) Key management remuneration

	2017/2018	2016/2017
	KShs	KShs
Board of Trustees		
Key Management Compensation		
Total		

d) Due from related parties

	2017/2018	2016/2017
	KShs	KShs
Due from parent Ministry		
Due from County Government		
Total		

e) Due to related parties

	2017/2018	2016/2017
	KShs	KShs
Due to parent Ministry		
Due to County Government		
Due to Key management personnel		
Total		

26. Contingent assets and contingent liabilities

Contingent liabilities	2017/2018	2016/2017
	KShs	KShs
Court case against the Fund		
Bank guarantees		
Total		

7. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

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

Reference No. on the external audit Report	**Issue / Observations from Auditor**	**Management comments**	**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)*

ANNEX 1(note12 b)

LOAN DISBURSEMENT		
No.	**Name**	**2017/2018**
1	Hon. Dominic Rono	14,000,000
2	Hon. Stanley Bett	4,965,000
3	Hon. Denies Kirui	5,000,000
4	Hon. Alfred Cheruiyot	5,000,000
5	Hon. Sammy Rono	5,000,000
6	Hon. David Rono	5,000,000
7	Hon. Philip K. Rono	5,000,000
8	Hon. Hezron Ngetich	5,000,000
9	Hon. Paul Chirchir	4,910,000
10	Hon. Antony K. Ruto	4,425,000
11	Hon. Cheruiyot Bett	5,000,000
12	Hon. Collins Kiprono	5,000,000
13	Hon. Eric K. Bett	5,000,000
14	Hon. Benard Mutai	3,800,000
15	Hon. Eric K. Koskey	5,000,000
16	Hon. Gilbert Ng'etich	4,800,000
17	Hon. Nancy Lang'at	4,425,000
18	Hon. Evans Kibet	5,000,000
19	Hon. William Soi Kipurui	5,000,000
20	Hon. Alex Bett	5,000,000
21	Hon. Hesborn Tonui	5,000,000
22	Hon. Hillary Bett	5,000,000
23	Hon. Daniel Ng'etich	5,000,000
24	Hon. Eric Korir	5,000,000
25	Hon. Haron K Rotich	5,000,000
26	Hon. Kipyegon Koech	5,000,000
27	Hon. Humphrey Kirui	5,000,000
28	Hon. David Mitei	5,000,000
29	Hon. Joseph Kirui	5,000,000
30	Hon. Albert Kipkoech	5,000,000
31	Hon. Josephat Rutto	4,425,000
32	Hon. Winny Lang'at	5,000,000
33	Hon. Bii Cheruiyot	5,000,000
34	Hon. Milka Wangare	4,425,000
35	Hon. Kassim Nassir	5,000,000
36	Hon. Annah Tanui	5,000,000
37	Hon. Chelangat Prisca	5,000,000
38	Hon. Koech Betty	5,000,000
39	Hon. Cherono Ann	4,125,000
40	Hon. Hellen Chepkirui	5,000,000
41	Hon. Tonui Beatrice	5,000,000
42	Hon. Ann Koskey	4,425,000
43	Hon. Tanui Esther	5,000,000
44	Hon. Soi Caroline	5,000,000
45	Hon. Edith Kaptich	5,000,000

46	Hon. Kerich Emily	5,000,000
47	Hon. Chebet Jackline	5,000,000
48	Hon. Tumm Ann	4,700,000
49	Jane yegon	
50	Godfrey ngeno	
	TOTAL	**243,425,000**

TRADE AND OTHER RECEIVABLES OF KSH.219,675,480.85

PRINCIPAL LOAN REPAID AS AT 30TH JUNE, 2018		
Date	Month	Amount(ksh)
12/03/2018	Nov-17	1,353,803.56
12/03/2018	Dec-17	2,446,170.26
12/03/2018	Jan-18	3,548,718.56
22/03/2018	Feb-18	3,467,199.48
14/04/2018	Mar-18	4,090,624.29
22/05/2018	Apr-18	4,398,351.81
07/06/2018	May-18	4,444,651.19
Total		**23,749,519.15**

TRADE AND OTHER RECEIVABLES			
Total disbursements			243,425,000.00
Less: Principal amount repaid		-	23,749,519.15
			219,675,480.85

ANNEX 2(note 4)

LOAN INTEREST 2017-2018	
MONTH	AMOUNT(KSH)
Month	Amount(ksh)
Nov-17	171,616.44
Dec-17	312,913.74
Jan-18	470,631.44
Feb-18	858,114.27
Mar-18	440,267.41
Apr-18	489,597.19
May-18	532,308.51
Jun-18	467,040.23
Total	**3,742,489.23**

Interest for the month of June 2018 has not been paid as at the close of financial year 2017/2018 hence accrued interest is ksh.467,040.23

LOAN ADMINISTRATION EXPENSE	
Month	AMOUNT(KSH)
Nov-17	57,205.48
Dec-17	104,304.58
Jan-18	156,877.15
Feb-18	286,038.09
Mar-18	146,755.80
Apr-18	163,196.06
May-18	177,436.17
Jun-18	155,680.08
Total	**1,247,493.41**

Accrued administration expense for the year 2017/2018 is administration cost for the month of June 2018 i.e ksh 155,680.08

ANNEX 4

TRIAL BALANCE AS AT 30TH JUNE 2018.

Item	DR Kshs	CR Kshs
Bank Balance	14,809,961.93	
Trade and other Receivables	219,675,481.48	
Trade and other Payables		
Interest earned		3,742,489.23
Accrued loan interest	467,040.23	
Bank charges Refund		
Other Insurance income		
Fund Administration Expenses	1,247,493.41	
Accrued administration Expense		155,680.08
Loan Insurance		
Bank charges		
Tax on committee allowances		
Committee training expenses		
Capital fund		232,301,807.11
Reserves		
TOTAL	**236,199,977.05**	**236,199,977.05**

PREPARED SIGN .... DATE 07/05/2021

APPROVED 07/05/2021

KERICHO COUNTY ASSEMBLY ACCOUNTANT 07 MAY 2021 P.O. Box 1526-20200, KERICHO

COUNTY ASSEMBLY CLERK 07 MAY 2021 KERICHO COUNTY P.O. Box 154 - 20200, KERICHO.