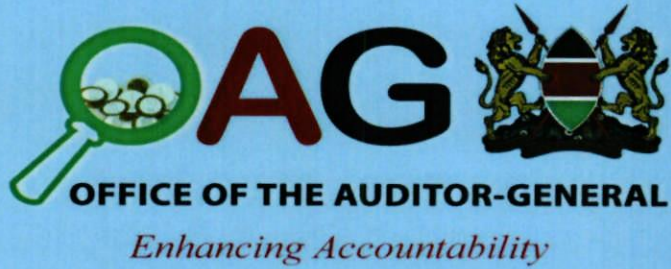


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REPORT

OF

THE AUDITOR-GENERAL

ON

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DATE	23/02/2022
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CLERK AT THE TABLE	GETAUDE

**BARINGO COUNTY EXECUTIVE
MORTGAGE SCHEME FUND**

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



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BARINGO COUNTY EXECUTIVE 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)

**Baringo County Executive Members' Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June 2020**

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Baringo County Executive Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June 2020

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Baringo County Executive Members' Mortgage Fund is established by and derives its authority and accountability from the Public Finance Management (Baringo County Executive Members Mortgage Scheme Fund) Regulations 2018. The Fund is wholly owned by the County Executive of Baringo and is domiciled in Kenya.

The fund's object and purpose is to provide a mortgage scheme for the purchase, development, renovation or repair of residential property by members of the County Executive as is prescribed by the Salaries and Remuneration Commission in their letter dated 27 November 2013.

The Fund's principal activity is the provision of loans and mortgages to the Members of County Executive and ensuring that loans advanced are recovered.

b) Loans Management Committee

Ref	Name	Position
1	Elijah Kipkoros	Chairman
2	David Sergon	Member
3	KibiwottKoima	Member
4	Alexander Lomaringoria	Member
5	Richard Rotich	Member
6.	Joseph Korir	Member
7.	Francis Komen	Member
8.	Samson Kibiy	Member
9.	John Kisang	Member
10.	Julius Tarus	Member

c) Key Management

Ref	Name	Position
1.	John Kisang	Chief Officer
2.	GikonoKiptoo	Fund administrator
3.	David Rerimoi	Fund Accountant

**Baringo County Executive Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June 2020**

d) Registered Offices

**Registered Offices
P.O Box 53-30400
AFC Building
Kabarnet –Iten Road**

e) Fund Contacts

Telephone:(254) 053-22115
E-mail: baringocountyExecutive@gmail.com
Website: www.baringoExecutive.go.ke

f) FundBankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
A/C NO. 1000171097
2. Kenya Commercial Bank
Kabarnet Branch
P.O. Box 175-30400
Kabarnet
A/C NO. 1179329708

g) Independent Auditors

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

h) Principal Legal Adviser

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

Baringo County Executive Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June 2020

2. THE BOARD OF TRUSTEES

Name	Details of qualifications and experience
1. Elijah Kipkoros	CECM Transport and Infrastructure
2. David Sergon	CECM Trade and Industrialization
3. KibiwottKoima	CECM Lands, Housing and Urban Development
4. Alexander Lomaringoria	CECM Education
5. Samson Kibiy	CEO Public Service Board
6. Richard Rotich	CECM Finance and Economic Planning
7. Joseph Korir	Chairman Public Service Board
8. Francis Komen	County Secretary

**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.

The object and purpose of the Baringo County Executive Mortgage Scheme Fund is to provide a loan scheme for the purchase, development, renovation or repair of residential property for state officers and public servants as prescribed by Salaries and Remuneration Commission.

State officers and public servants who have benefited from this facility are currently repaying their loans thus building up the revolving fund for on lending to other staff.

**Baringo County Executive Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June 2020**

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
1. John Kisang	Year of birth:1972 Key Qualifications:Degree
2. David Rerimoi	Year of birth 1980 Key Qualifications: Masters in Business Administration ,BBA,CPA(K)
3. GikonoKiptoo	Year of Birth:1980 Key Qualifications: Masters in Business Administration (UON),BCOM,CPA(K) Senior Management Course

**Baringo County Executive Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June 2020**

5. BOARD/FUND CHAIRPERSON'S REPORT

It is my pleasure to present the Baringo County Executive Members Mortgage Scheme Fund financial statements for the year ended 30 June 2020. The financial statements present the financial performance of the Fund over the past year.

(a) Funds received during the year

During the period under review, Ksh.12,000,000 was received from the Exchequer as additional Fund capital for onward lending to the Members.

(b) Loan disbursements and recoveries

During the year ended 30 June 2020, a total of Ksh. 18,500,00 was disbursed as mortgage loans to the Members.

Out of the total loans disbursed, Ksh.5,122,770 was recovered from the Members during the period.

(c) Surplus for the period

During the year ended 30 June 2020, the Fund realized a surplus of Ksh435,146.00

(d) Future Outlook of the Fund

The Loans Management Committee plans to disburse loans in the future to the members of staff subject to the availability of funds.

(e) Conclusion

In conclusion, FY 2019/2020 was a good year in general. Good progress was made and the momentum has been created to enable the Fund on a trajectory into prosperity. The Fund has been instrumental in facilitating the Members purchase or develop residential property to improve their welfare and enable them deliver on their mandate.

I thank all Members and staff in the entire County Executive for their continued commitment and dedication through hard work in delivering services to the people of Baringo County.

Signed: _____



Date: _____

18/01/2021

Name of Chairperson: Hon. Elijah Kipkoros

**Baringo County Executive Mortgage Scheme Fund
Reports and Financial Statements
For the year ended 30 June 2020**

6. REPORT OF THE FUND ADMINISTRATOR

It is my pleasure to present the Baringo County Executive Members Mortgage Fund financial statements for the year ended 30 June 2020. The financial statements present the financial performance of the Fund over the past year.

The performance of the Fund can be summarized in the following major areas:

(a) Key Management Team

The Fund's key management team is comprised of the Fund Administrator, Director Finance, Legal Officer and the Fund Accountant.

(b) Funds received during the year

During the period under review, Ksh. 12,000,000.00 was received from the Exchequer as additional funds for onward lending to the Members

(c) Loan disbursements and recoveries

During the year ended 30 June 2020, a total of Ksh. 18,500,000 was disbursed as Mortgage loans to the Members.

(d) Surplus for the period

During the year ended 30 June 2020, the Fund realized a surplus of Ksh. 435,146.00

(e) Future Outlook of the Fund

The Loans Management Committee plans to disburse loans in the future to the members of staff subject to the availability of funds.

(f) Conclusion

In conclusion, FY 2019/2020 was a good year in general. Good progress was made and the momentum has been created to enable the Fund on a trajectory into prosperity.

I thank all Members and staff in the entire County Executive for their continued commitment and dedication through hard work in delivering services to the people of Baringo County.

Signed: _____



Date.....

15/7/2021

Name of Fund Administrator: John Kisang

7. CORPORATE GOVERNANCE STATEMENT

Baringo County Executive consists of the Members of County Executive who are elected and appointed by the County Governor. The County Executive is currently composed of 10 appointed and 2 elected members. The County Executive is headed by the Governor, who is elected by the Public.

During financial year 2019-2020, the Loans Management Committee held 3 meetings. The meetings of the Committee are convened by the Chairperson or in the absence of the Chairperson, by a member designated by the Chairperson and shall be convened at such times as may be necessary for the discharge of the Committee's functions. The quorum for a meeting of the Committee shall be Chairperson and any other three members.

The Committee administers the Fund by:

- (a) Processing applications for loans in accordance with the existing terms and conditions of borrowing;
- (b) Liaising with the housing company (if any) to set up a revolving fund for the disbursements of the loans; and
- (c) Supervising the day-to-day running of the Fund.

The allowances payable to the Committee members are determined by the Salaries and Remuneration Commission.

The annual financial statements of the Fund are subject to audit by the Auditor- General.

8. MANAGEMENT DISCUSSION AND ANALYSIS

The major risk facing the Executive's Mortgage Fund is loan default in case of the death of a member. However, this risk has been mitigated by insuring all the members' loans for the benefit of the member of the scheme. This will ensure that in the unfortunate death of a member of the Fund, the loan balance due to the Fund will be reimbursed by the insurance company.

Where a repayment of loan is not made in accordance with the terms and conditions of the Regulations, the sums of money due and owing to the Fund shall be recoverable by the Loans Committee, without prejudice to any other remedy, in civil proceedings in the High Court.

All mortgages granted to the Members are currently being recovered through the payroll check-off system from the members' monthly emolument. There is currently no major financial improbity as reported by internal audit/Board audit committee, external auditors, or other County Government Agencies providing oversight.

9. REPORT OF THE TRUSTEES

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

Principal activities

The principal activities of the Fund isto provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the County Executive as prescribed by the Salaries and Remuneration Commission.

Results

The results of the Fund for the year ended 30 June 2020 are set out on page 14 to 18.

Trustees

The members of the Board of Trustees who served during the year are shown on pages 4 to 5.

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 Board

Member of the Board

Date: 

Baringo County Executive 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 Baringo County Executive Mortgage Scheme Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Baringo County Executive Mortgage Scheme 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 30 June 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 accepts responsibility for the Fund's financial statements, which have been prepared using Baringo County Executive Mortgage Scheme Fund 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 Public Finance Management Act, 2012 and the Baringo County Executive Members Mortgage Scheme Fund Regulations 2015. 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 30 June 2020, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the Baringo County Executive Mortgage Scheme 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.

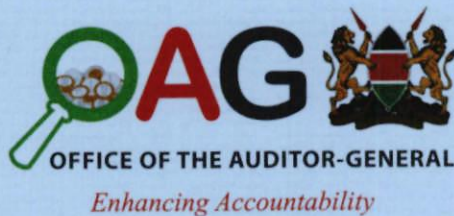
Approval of the financial statements

The Fund's financial statements were approved by the Board on 15/1/2021 ~~2020~~ and signed on its behalf by:



Administrator of the Baringo County Executive Mortgage Scheme Fund

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON BARINGO COUNTY EXECUTIVE MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Baringo County Executive Mortgage Scheme Fund set out on pages 14 to 31 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Errors in Annual Report and Financial Statements

The annual reports and the financial statements prepared and presented for audit had the following errors: -

- 1.1. Headers on pages 17, 18 and 19 have omitted the name of the entity "Baringo County Executive Mortgage Scheme Fund";
- 1.2. Management team on page 6 did not include passport-size photos of management team;
- 1.3. The statement of changes in net assets refers to opening balance as at "30 June, 2018" instead of "balance as at 30 June, 2019"
- 1.4. Progress on follow up of auditor recommendations on page 31 is blank;

Consequently, the financial statements for the year ended 30 June, 2020 did not comply with the International Public Sector Accounting Standard No.1 on prescribed by the Public Sector Accounting Standards Board.

2. Inaccuracies in the Financial Statements

The financial statements for the year ended 30 June, 2020 prepared and presented for audit contained the following inaccuracies: -

- 2.1. The statement of financial performance reflects comparative bank charges of Kshs.1,900 while Note 2 to the financial statements reflects Kshs.2,825 resulting to an unexplained and unreconciled variance of Kshs.925;
- 2.2. The statement of financial position reflects total equity of Kshs.61,973,711 while casting revealed a total amount of Kshs.60,973,711 resulting to an unexplained and unreconciled variance of Kshs.1,000,000;
- 2.3. The statement of financial position reflects net assets amount of Kshs.61,408,857 while casting of total equity revealed a total of Kshs.60,973,711 resulting to an unexplained and unreconciled variance of Kshs.435,146, as a result the statement does not balance;
- 2.4. The statement of financial position reflects revolving fund at Kshs.59,500,000 while the statement of changes in net assets reflects an amount of Kshs.61,572,858 resulting to an unexplained and unreconciled variance Kshs.2,072,858;
- 2.5. The statement of changes in net assets reflects total balance as at 30 June, 2020 of Kshs.64,120,789 while casting revealed an amount of Kshs.63,890,516 resulting to unexplained nor reconciled variance of Kshs.230,273;
- 2.6. The statement of cash flows for the year ended 30 June, 2020 reflects total payments of Kshs.164,195 while re-casting resulted to a balance of Kshs.167,195 resulting to an unexplained error of Kshs.3,000;
- 2.7. The statement of cash flows for the year ended 30 June, 2020 reflects net increase/(decrease) in cash and cash equivalents of Kshs.(747,464) while re-casting resulted to a balance of Kshs.(942,084) resulting to an unexplained and unreconciled variance of Kshs.194,620;
- 2.8. The statement of comparison of budget and actual amounts reflects a deficit of Kshs.14,193,886 under performance difference column while casting revealed deficit of Kshs.2,136,704 resulting to an unreconciled and unexplained variance of Kshs.12,057,182.

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

3. Revenue from Exchange Transactions

The statement of financial performance reflects interest income balance of Kshs.602,341 as disclosed under Note 1 to the financial statements. However, analysis of the schedule provided for audit revealed interest earned totaling Kshs.1,054,562 resulting to an unexplained and unreconciled variance of Kshs.452,221.

Under the circumstances, the accuracy and completeness of interest income of Kshs.602,341 for the year ended 30 June, 2020 could not be confirmed.

4. Unsupported Expenses

The statement of financial performance reflects total expenses of Kshs.167,195 (2019 - Kshs.1,900) as disclosed under Note 2 to the financial statements. However, the support schedules and payment vouchers were not provided for audit review.

Under the circumstances, the accuracy and completeness of total expenses balance of Kshs.167,195 for the year ended 30 June, 2020 could not be confirmed.

5. Long Term Receivables from Exchange Transactions

The statement of financial positions reflects long term receivables from exchange transactions of Kshs.59,596,453 (2019 - Kshs.46,219,223) as disclosed under Note 4 to the financial statements. However, analysis of the schedule provided for audit revealed a total of Kshs.65,048,471 resulting to an unreconciled and unexplained variance of Kshs.5,452,018. Further, no current portion of long-term receivables from exchange transactions was disclosed. This is contrary to paragraph 76(c) of the International Public Sector Accounting Standards No. 1 that requires amounts expected to be received in the next twelve months after reporting date to be classified as current assets, and all other assets to be classified as non-current.

Consequently, the accuracy and completeness of long-term receivables from exchange transactions balance of Kshs.59,596,453 as at 30 June, 2020 could not be confirmed.

6. Misstatement of the Revolving Fund

The statement of changes in net assets as at 30 June, 2020 reflects a revolving fund balance of Kshs.61,572,858. However, analysis of financial statements from inception of the Fund in the financial year 2014/2015 revealed transfer from the County Government of Kshs.59,500,000 while mortgage records provided reflected an amount of Kshs.64,200,000. In addition, the revolving fund balance was not supported by detailed schedules indicating opening balances, additions/movement and closing balances.

Under circumstances, the accuracy and completeness of the revolving fund balance of Kshs.61,572,858 reflected in the statement of changes in net assets as at 30 June, 2020 could not be confirmed.

7. Lack of Approved Budget

The statement of comparison of budget and actual amounts reflects final receipts budget of Kshs.14,414,745 and final expenses budget of Kshs.18,667,195. However, the approved budget estimates were not provided for audit. This contravenes Section 31(a) of the Public Financial Management (County Governments) Regulations, 2015 which requires that all revenue and expenditure shall be entered into the County Government budget estimates and approved for one year only. It also contravenes Section 99(2) of the Public Financial Management (County Governments) Regulations, 2015 which requires that the approved budget estimates of expenditure shall form the basis of the financial statements for the financial year.

To the extent, the Fund Management is in breach of the law.