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REPORT

OF

THE AUDITOR-GENERAL

ON

**BARINGO COUNTY ASSEMBLY MEMBER'S
CAR LOAN AND MORTGAGE FUND**

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

PAPERS LAID	
DATE	1/3/2022
TABLED BY	LEADER OF MAJORITY
COMMITTEE	—
CLERK AT THE TABLE	M- ADJI BADOU





**BARINGO COUNTY ASSEMBLY (MEMBERS) CAR LOAN AND
MORTGAGE FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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



Baringo County Assembly (Members) Car Loan and Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2020

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**Baringo County Assembly (Members) Car Loan and Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2020**

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Baringo County Assembly Members' Car Loan & Mortgage Fund is established by and derives its authority and accountability from the Public Finance Management (Baringo County Assembly Members Car Loan Scheme Fund Regulations 2014 and the Public Finance Management (Baringo County Assembly Members Mortgage Scheme Fund Regulations, 2018). The Fund is wholly owned by the County Assembly of Baringo and is domiciled in Kenya.

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

b) Principal Activities

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

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Hon. David Kiplagat	Chairman
2	Hon. Lawi Tallam	Vice Chairman
3	Hon. Sam Lourien	Member
4	Hon. Maria Losile	Member
5	Hon. Charles Kosgei	Member
6.	CPA Richard Koech	Fund Administrator
7.	Betty Toroitich	Legal Officer(ex-officio member)
8.	Nehemiah Kandie	Fund Accountant (ex-officio member)

d) Key Management

Ref	Name	Position
1	CPA Richard Koech	Fund Administrator
2	Betty Toroitich	Legal Officer(ex-officio member)
3	Nehemiah Kandie	Fund Accountant (ex-officio member)

e) Registered Offices

P.O. Box 159 -30400
County Assembly Building
Kabarnet – Iten Road
Kabarnet, KENYA

f) Fund Contacts

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

g) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Kenya Commercial Bank
Kabarnet Branch
P.O. Box 175-30400
Kabarnet
Account Number: 1152063324




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

 <p>1. Hon. David Kiplagat - The Speaker of the County Assembly (Chairperson)</p>	<p>Year of Birth: 1968 Key Qualifications: An Advocate of the High Court of Kenya with over 24 years' experience in legal practice Work experience : Currently the Hon. Speaker, Baringo County Assembly</p>
 <p>2. Hon. Lawi Tallam - Leader of Majority Party to the County Assembly(Vice Chairperson)</p>	<p>Year of Birth: 1977 Key Qualifications: K.C.S.E Work experience : Currently Leader of Majority, Baringo County Assembly</p>
 <p>3. Hon. Sam Lourien -Leader of Minority Party to the County Assembly (Member)</p>	<p>Year of Birth:1984 Key Qualifications: Diploma in Public Administration Work experience : Currently Leader of Minority, Baringo County Assembly</p>

**Baringo County Assembly (Members) Car Loan and Mortgage Fund
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 <p>4. Hon. Maria Losile (Member)</p>	<p>Year of Birth:1967 Key Qualifications: Certificate in Primary Teachers Examination Work experience : Currently Member, Baringo County Assembly</p>
 <p>5. Hon. Charles Kosgei (Member)</p>	<p>Year of Birth:1954 Key Qualifications: Certificate in Primary Teachers Examination Work experience : Currently Member, Baringo County Assembly</p>
 <p>6. CPA Richard Koech – Administrator of the Fund and Secretary to the Committee (Clerk to County Assembly)</p>	<p>Year of Birth:1976 Key Qualifications: Masters in Business Administration in Finance (UoN) Bachelor of Commerce (Accounting Option) CPA (K) Completed: -Strategic Leadership Development Programme -Senior Management Course -Certified Public Finance Management Accountant Member: -ICPAK -KIM Work experience: -9 Years as an Auditor with Office of the Auditor General -Chief Officer Finance for 6 years (Baringo County Government & West Pokot County Government) -Currently the Clerk to Baringo County Assembly</p>

**Baringo County Assembly (Members) Car Loan and Mortgage Fund
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 <p>7. Betty Toroitich – the County Assembly Legal Officer (ex-officio member)</p>	<p>Year of Birth:1986 Key Qualifications: Bachelor of Law Work experience : Currently Legal Officer, Baringo County Assembly</p>
 <p>8. Nehemiah Kandie-Principal Accountant (ex-officio member)</p>	<p>Year of Birth:1981 Key Qualifications: Bachelor of Business Administration (Accounting Option) and CPA (K). Work experience: Currently Principal Accountant, Baringo County Assembly. Previous Work Experience: 2010-2013: Accountant, World Vision Kenya; 2008-2010: Internal Auditor, Boresha Sacco Society Ltd</p>

3. STATEMENT OF PERFORMANCE AGAINST BARINGO COUNTY ASSEMBLY (MEMBERS) CAR LOAN AND MORTGAGE FUND 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 Assembly Car Loan and Mortgage Scheme Fund is to provide a loan scheme for the purchase of motor vehicles and the purchase, development, renovation or repair of residential property by Members of the County Assembly as prescribed by the Salaries and Remuneration Commission.

All Members of the County Assembly have each been advanced car loan and mortgage of Ksh. 2 million and Ksh. 3 million respectively and are currently on course to repay their loans before expiry of their term in the year 2022. The loan repayments by the Members build up the revolving fund to be made available for loaning to the Members of the third Assembly in the year 2022.

Challenges




There were inadequate funds for on-lending to the Members as car loans and mortgages due to other competing priorities in the County. This led to a delay in some members accessing the loans and thereby shortening their loan repayment period.

Opportunities

Given the fact that all the Members have accessed the car loan and mortgage facility, budgetary allocations in proceeding financial years will enable the staff to access similar facilities.

The building up of the revolving fund for car loan and mortgage through the loan repayments by the current members will ensure that funds are readily available for on-lending to the Members of the Third Assembly in the year 2022.

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
 <p>1. CPA Richard Koech – Administrator of the Fund and Secretary to the Committee (Clerk to County Assembly)</p>	<p>Year of Birth:1976 Key Qualifications: Masters in Business Administration in Finance (UoN) Bachelor of Commerce (Accounting Option) CPA (K) Completed: -Strategic Leadership Development Programme -Senior Management Course -Certified Public Finance Management Accountant Member: -ICPAK -KIM Work experience: -9 Years as an Auditor with Office of the Auditor General -Chief Officer Finance for 6 years (Baringo County Government & West Pokot County Government) -Currently the Clerk to Baringo County Assembly</p>
 <p>2. Betty Toroitich – the County Assembly Legal Officer (ex-officio member)</p>	<p>Year of Birth:1986 Key Qualifications: Bachelor of Law Work experience : Currently Legal Officer, Baringo County Assembly</p>
 <p>3. Nehemiah Kandie-Principal Accountant (ex-officio member)</p>	<p>Year of Birth:1981 Key Qualifications: Bachelor of Business Administration (Accounting Option) and CPA (K). Work experience: Currently Principal Accountant, Baringo County Assembly. Previous Work Experience: 2010-2013: Accountant, World Vision Kenya; 2008-2010: Internal Auditor, Boresha Sacco Society Ltd</p>

5. BOARD/FUND CHAIRPERSON'S REPORT

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

(a) Changes in the Fund's Management during the year

During the period under review, there were changes in the Fund's management team with the appointment of a new substantive Clerk to the Assembly, who is also the Administrator to the Fund in November 2019.

(b) Loan disbursements and recoveries

During the year ended 30th June 2020, a total of Ksh.4,508,975 was disbursed as Car Loans & Mortgage to the external members of the County Service Board.

Out of the total loans disbursed so far, Ksh.48,400,410 was recovered from the Members during the period.

(c) Surplus for the period

During the year ended 30th June 2020, the Fund realized a surplus of Ksh. 1,342,164 as compared to Ksh. 1,628,686 during FY 2018/2019.

(d) Future Outlook of the Fund

All Members of the County Assembly who were eligible to the Car Loans & Mortgage in the period under review have already been advanced and recoveries are under way and progressing well. 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 motor vehicles and/or purchase or develop residential property to improve their welfare and enable them deliver on their mandate.

I thank all the Members of the Loans Management Committee for their continued commitment and dedication through hard work in delivering services to the Members and staff of the Assembly.

Signed:  _____

Name of Chairperson: Hon. David Kiplagat

6. REPORT OF THE FUND ADMINISTRATOR

It is my pleasure to present the Baringo County Assembly Members Car Loan & Mortgage Fund financial statements for the year ended 30th 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 and Accounting Services, Legal Officer and the Fund Accountant.

(b) Loan disbursements and recoveries

During the year ended 30th June 2020, a total of Ksh.4,508,975 was disbursed as Car Loans & Mortgage to the two Members of the County Assembly Service Board, bringing total loan disbursements to Ksh.245,998,975.

Out of the total loans disbursed so far, Ksh.48,400,410 was recovered from the Members during the period as compared to Ksh. 54,605,981 recovered in FY 2018/2019.

All loans are currently being recovered in full with no reported case of default.

(c) Surplus for the period

During the year ended 30th June 2020, the Fund realized a surplus of Ksh. 1,342,164 as compared to Ksh. 1,628,686 during FY 2018/2019. The interest income earned during the period amounted to Ksh.1,342,929 compared to Ksh. 1,640,483 in FY 2018/2019 while the expenses in the period were Ksh.765 compared to Ksh.11,797 in FY 2018/2019.

(d) Future Outlook of the Fund

All Members of the County Assembly who were eligible to the Car Loans & Mortgage in the period under review have already been advanced and recoveries are under way and progressing well. The Loans Management Committee plans to disburse loans in the future to the members of staff subject to the availability of funds.

The Loans Management Committee has set up a loan revolving fund (car loan and mortgage) for Members matching their entitlement as per the Salaries and Remuneration Commission guidelines.

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 the Members of the Loans Management Committee for their continued commitment and dedication through hard work in delivering services to the Members and staff of the Assembly.

Signed: _____

Name of Fund Administrator: CPA Richard Koeh



7. CORPORATE GOVERNANCE STATEMENT

Baringo County Assembly consists of the Members of County Assembly (MCAs) who are elected by the people to represent them in the Assembly. The County Assembly (CA) is currently composed of 30 elected and 15 nominated members. The County Assembly is headed by the Speaker, who is elected by the MCAs.

The Loans Management Committee consist of the following members:

- (a) The Speaker of the County Assembly, who shall be the Chairperson to the committee;
- (b) Leader of Majority Party to the County Assembly;
- (c) Leader of Minority Party to the County Assembly;
- (d) One person appointed to the County Assembly Service Board under Section 12 (3) (d) of the County Government Act, 2012;
- (e) Two Members elected by members of the County Assembly, one representing either gender;
- (f) The County Assembly Head of Finance (ex-officio member);
- (g) The County Assembly Legal Officer (ex-officio member);
- (h) The County Chief Officer, Treasury and Economic Planning or his or her representative (ex-officio member) and
- (i) Administrator of the Fund who shall be the Secretary of the Committee appointed under regulation 7.

During financial year 2019-2020, the Loans Management Committee held one meeting, given the magnitude of business under consideration. 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 Assembly's Car Loan & 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 Car Loan & 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 June 30, 2020 which show the state of the Fund affairs.

Principal activities

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

Results

The results of the Fund for the year ended June 30, 2020 are set out on page 16 to 20.

Trustees

The members of the Board of Trustees who served during the year are shown on pages 4 to 6.

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: 21/12/2020

10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by *the Baringo County Assembly Members Car Loan Scheme Regulations 2014* and the *Baringo County Assembly Members Mortgage Scheme Fund Regulations 2018* shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Baringo County Assembly (Members) Car Loan and Mortgage Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the Baringo County Assembly (Members) Car Loan and Mortgage 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 *the Baringo County Assembly Members Car Loan Scheme Regulations 2014* and the *Baringo County Assembly Members Mortgage Scheme Fund Regulations 2018*. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the Baringo County Assembly (Members) Car Loan and Mortgage 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 21/12/ 2020 and signed on its behalf by:





Baringo County Assembly (Members) Car Loan and Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2020

Administrator of the County Public 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 ASSEMBLY MEMBER'S CAR LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Baringo County Assembly Member's Car Loan and Mortgage Fund set out on pages 17 to 37, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the period then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

In my opinion, 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 respects, the financial position of the Baringo County Assembly Member's Car Loan and Mortgage Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Interest Income

The statement of financial performance reflects interest income amounting to Kshs.1,342,929 as disclosed in Note 1 to the financial statements. However, re-computation of the interest income from the schedule provided for audit showed an amount of Kshs.4,112,637 resulting to an unreconciled variance of Kshs.2,769,708.

Consequently, the accuracy and completeness of the interest income amounting to Kshs.1,342,929 could not be confirmed.

2. Variances in Receivables from Exchange Transactions

The statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.56,482,984 and long-term receivables from exchange transactions balance of Kshs.69,334,247. However, re-computation of the

support schedules provided for audit showed a total variance of Kshs.14,582,190 as analyzed below.

Component	FS Figures Kshs.	Re-computed Figures Kshs.	Variance Kshs.
Current portion of long-term receivables	56,482,984	59,046,396	(2,563,412)
Long term receivables from exchange transactions	69,334,247	81,353,025	(12,018,778)
Total	125,817,231	140,399,421	(14,582,190)

Further, the disclosure of receivables did not clearly indicate the principal and interest amounts showing the respective current and long-term portions.

Consequently, the accuracy and completeness of current portion of long-term receivables from exchange transactions and long-term receivables from exchange transactions balances of Kshs.56,482,984 and Kshs.69,334,247, respectively could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Baringo County Assembly Member's Car Loan and Mortgage 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. 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 matters 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

1. Irregular Merging of Funds

The financial statements provided for audit is a consolidation of two (2) Funds without approval of the County Assembly. The County Assembly passed two separate

Regulations, thereby creating Car Loan Fund and a Mortgage Fund. However, Management prepared one set of financial statements combining the two funds without approval from the County Assembly. This fails to enhance completeness and disclosure as per the requirements of International Public Sector Accounting Standards No.1 on presentation of the financial statements.

Consequently, the financial statements do not comply with the requirements of International Public Sector Accounting Standards No.1 on presentation.

2. Errors in the Annual Report and Financial Statements

The annual reports and the financial statements submitted for audit had the following presentation errors: -

- i. Pages 21 and 37 are not numbered;
- ii. Page 15 is blank;

Consequently, the annual report and the financial statements as prepared and presented were not in the format prescribed by the International Public Sector Accounting Standards Board (IPSASB).

3. Lack of Approved Budget

The statement of comparison of budget and actual amounts reflects final income budget amounting to Kshs.1,342,929 and payments budget amounting to Kshs.765. 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 this extent, the Fund was in breach of the law.

4. Doubtful Loans Recoverability

The statement of cash flows reflects proceeds from loan principal repayments amounting to Kshs.48,400,410 and as disclosed in Note 6 to the financial statements. The expected annual loan repayments were amounting to Kshs.59,046,366, therefore the reported amount is under recovered by Kshs.10,645,956. Failure to recover amounts due contravenes Section 13 of the Baringo County Assembly (Members) Mortgage Scheme Fund Regulations, 2018 which states that the repayments of the loan granted under these regulations shall be made through a check-off system from the member's monthly emoluments. The Management has not demonstrated how they will comply with Section 15 of the Baringo County Assembly (Members) Mortgage Scheme Fund Regulations, 2018 which states that a loan advance under these Regulations shall be repaid in full over a maximum period of sixty (60) months or end of the Member's term in Assembly (May, 2022) whichever comes earlier or the action it intends to take to ensure full recovery of all outstanding amount at the end of the current term.

Consequently, the Management was in breach of the Regulations.

5. Lack of Insurance Covers

The statement of cash flows reflects loan disbursements paid out amounting to Kshs.4,508,975 as disclosed in Note 7 to the financial statements. The schedule included car loan amount of Kshs.2,000,000 which was disbursed without insurance cover. This is contrary to Section 16(4) of the Baringo County Assembly Car Loan Scheme Fund Regulation, 2014 which provides that every loan granted under these regulations shall be insured through an insurance service provider competitively sourced by the Committee for the benefit of the member of the scheme and the premium in respect thereof shall be debited to the account of the member. Further, the mortgage amount of Kshs.2,508,975 included in the schedule was disbursed without protection and fire policies. This is contrary to section 16 of the Baringo County Assembly Mortgage Loan Scheme Fund Regulation, 2018 which provides that the borrower shall take out and maintain a mortgage protection policy and a fire policy with an insurance company competitively sourced by the Committee, the cost of which shall be paid out of the fund and debited in the borrower's account.

To this extent, the Fund was in breach of the law.

6. Non-Remittance of Fringe Benefit Tax

The statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.56,482,984 and long-term receivables from exchange transactions balance of Kshs.69,334,247. The balances relate to low interest loans granted to employees and Members of the County Assembly at the rate of 3%. However, the corresponding fringe benefit tax was not deducted and remitted to Kenya Revenue Authority. This contravenes section 12B of the Income Tax Act which states that tax to be known as fringe benefit tax to be payable commencing on the 12th June, 1998 by every employer in respect of a loan provided at an interest rate lower than the market interest rate.

To this extent, the Assembly was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my

report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Lack of Fire and Risk Management Policy

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

Consequently, the Fund did not have a formal process for identifying, preventing and mitigating risks.

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain 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 abolish the Fund or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Fund monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and

systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 February, 2022

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12. FINANCIAL STATEMENTS

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

	Note	2019/2020	2018/2019
		KShs	KShs
Revenue from exchange transactions			
Interest income	1	1,342,929	1,640,483
Total revenue		1,342,929	1,640,483
Expenses			
Bank Charges	2	765	11,797
Total expenses		765	11,797
Surplus/(deficit) for the period		1,342,164	1,628,686


The notes set out on pages 31 to 35 form an integral part of these Financial Statements


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12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	3	85,289,050	39,919,162
Current portion of long- term receivables from exchange transactions	4	56,482,984	4,711,854
		141,772,034	44,631,016
Non-current assets			
Long term receivables from exchange transactions	4	69,334,247	165,608,481
		69,334,247	165,608,481
Total assets		211,106,281	210,239,497
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	5	-	475,380
Total liabilities		-	475,380
Net Assets		211,106,281	209,764,117
Revolving Fund		206,341,359	206,341,359
Accumulated surplus		4,764,922	3,422,758
Total net assets and Liabilities		211,106,281	209,764,117

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 21/12/ 2020 and signed by:


 Administrator of the Fund
 Name: CPA Richard Koech
 ICPAK Member No: 8319


 Fund Accountant
 Name: CPA Nehemiah Kandie
 ICPAK Member No: 21734



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12.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2018	187,800,000	-	1,794,072	189,594,072
Surplus/(deficit) for the period	-	-	1,628,686	1,628,686
Funds received during the year	18,500,000	-	-	18,500,000
Excess(erroneous) Loan Repayment	41,359	-	-	41,359
Balance as at 30 June 2019	206,341,359	-	3,422,758	209,764,117
Balance as at 1 July 2019	206,341,359	-	3,422,758	209,764,117
Surplus/(deficit) for the period		-	1,342,164	1,342,164
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	206,341,359	-	4,764,922	211,106,281

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12.4. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
Cash flows from operating activities			
Receipts			
Interest received	13	1,479,219	1,503,244
Total Receipts		1,479,219	1,503,244
Payments			
Bank Charges		765	11,797
Adjusted for:			
Decrease/(Increase) in Accounts receivable	9	-	-
Increase/(Decrease) in Accounts Payable	10	-	-
Net cash flows from operating activities		1,478,454	1,491,447
Cash flows from investing activities			
Loan prepayments from Members		-	356,535
Proceeds from loan principal repayments	6	48,400,410	54,605,981
Loan disbursements paid out	7	(4,508,975)	(38,950,000)
Net cash flows from investing activities		43,891,435	16,012,516
Cash flows from financing activities			
Exchequer receipts		-	18,500,000
Car loan & Mortgage Insurance	8	-	(2,501,545)
Net cash flows from financing activities		-	15,998,455
Net increase/(decrease) in cash and cash equivalents		45,369,889	33,502,418
Cash and cash equivalents at 1 JULY	3	39,919,161	6,416,743
Cash and cash equivalents at 30 JUNE	3	85,289,050	39,919,161

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	2020	2020	2020	2020	2020	2020
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Interest income	1,342,929	-	1,342,929	1,342,929	-	100%
Total income	1,342,929	-	1,342,929	1,342,929	-	100%
Expenses						
Bank Charges	765	-	765	765	-	100%
Total expenditure	765	-	765	765	-	100%
Surplus for the period	1,342,164	-	1,342,164	1,342,164		100%

Budget notes

- 1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14*
- 2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)*
- 3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.*

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12.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

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

2. Adoption of new and revised standards

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

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;

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Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other Improvements to IPSAS</p>	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</p>

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Standard	Effective date and impact:
	<p>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>
	<p>IPSAS 40, Public Sector Combinations. Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued</p>

c) Early adoption of standards

The Baringo County Assembly (Members) Car Loan and Mortgage Fund did not early – adopt any new or amended standards in year 2020.

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

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net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

4. Budget information

The original budget for FY 2019/2020 was approved by the County Assembly on 26th June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The Baringo County Assembly (Members) Car Loan and Mortgage Fund 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 actuals as per the statement of financial performance has been presented under section 12.5 of these financial statements.

5. 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 Baringo County Assembly (Members) Car Loan and Mortgage Fund 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.

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Baringo County Assembly (Members) Car Loan and Mortgage Fund 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.

Contingent liabilities

The Baringo County Assembly (Members) Car Loan and Mortgage Fund does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Baringo County Assembly (Members) Car Loan and Mortgage Fund 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.

6. Changes in accounting policies and estimates

The Baringo County Assembly (Members) Car Loan and Mortgage Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

7. Related parties

The Baringo County Assembly (Members) Car Loan and Mortgage Fund 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.

8. 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.

9. Comparative figures

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

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10. Events after the reporting period

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

11. Ultimate and Holding Entity

The Baringo County Assembly (Members) Car Loan and Mortgage Fund is a County Public Fund established by *the Baringo County Assembly Members Car Loan Scheme Regulations 2014* and the *Baringo County Assembly Members Mortgage Scheme Fund Regulations 2018* under County Assembly of Baringo. Its ultimate parent is the County Assembly of Baringo.

12. Currency

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

13. 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.

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

Useful lives and residual values

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

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

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14. 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 2020				
Receivables from exchange transactions	125,817,231	125,817,231	-	-
Bank balances	85,289,050	85,289,050	-	-
Total	211,106,281	211,106,281	-	-
At 30 June 2019				
Receivables from exchange transactions	170,320,335	170,320,335	-	-
Bank balances	39,919,162	39,919,162	-	-
Total	210,239,497	210,239,497	-	-

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.

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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 2020				
Trade payables (Refundable deposits)	-	-	-	-
Total	-	-	-	-
At 30 June 2019				
Trade payables (Refundable deposits)	-	-	475,380	475,380
Total	-	-	475,380	475,380

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.

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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. Interest rate risk

Interest rate risk is the risk that the Baringo County Assembly (Members) Car Loan and Mortgage Fund 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.

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:

	2019/2020	2018/2019
	KShs	KShs
Revolving fund	206,341,359	206,341,359
Accumulated surplus	4,764,922	3,422,758
Total funds	211,106,281	209,764,117
Total borrowings	-	-
Less: cash and bank balances	85,289,050	(39,919,162)
Net debt/(excess cash and cash equivalents)	(85,289,050)	(39,919,162)
Gearing	-	-

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12.7. NOTES TO THE FINANCIAL STATEMENTS

1. Interest Income on Loans

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Interest income from loans(mortgage & car loans)- Cash Received	1,335,888	1,503,244
Interest income from loans(mortgage & car loans)- Receivable	7,041	137,239
Total	1,342,929	1,640,483

Interest is charged on car loans & mortgage at 3% p.a. on a simple interest basis.

2. Bank Charges

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Bank Charges	765	11,797
Total	765	11,797

3. Cash and cash equivalents

Description	2019/2020	2018/2019
	KShs	KShs
Baringo County Assembly Car Loan & Mortgage Fund Account	85,289,050	39,919,162
Total cash and cash equivalents	85,289,050	39,919,162

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

Financial institution	Account number	2019/2020	2018/2019
		KShs	KShs
a) Current account			
Kenya Commercial bank	1152063324	85,289,050	39,919,162
Total		85,289,050	39,919,162

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4. Receivables from exchange transactions

Description	2019/2020	2018/2019
	KShs	KShs
Current Receivables		
Interest receivable	-	137,238
Current loan repayments due	56,482,984	4,574,616
Total Current receivables	56,482,984	4,711,854
Non-Current receivables		
Long term loan repayments due	69,334,247	165,608,481
Total Non- current receivables	69,334,247	165,608,481
Total receivables from exchange transactions	125,817,231	170,320,335

5. Trade and other payables from exchange transactions

Description	2019/2020	2018/2019
	KShs	KShs
Refundable deposits(prepayments)-Cash received	-	356,535
Refundable deposits(prepayments)-accruals	-	118,845
Total trade and other payables	-	475,380

6. Proceeds from Principal Loan Repayments

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Principal Loan Repayments-Cash	48,400,410	54,605,981
Total	48,400,410	54,605,981

This refers to the part of the total loan (principal & interest) repaid exclusive of interest i.e. the principal loan repayments for which the cash had been received in the Fund Account as at 30 June 2020.

7. Loan Disbursements paid out

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Loan Disbursements	4,508,975	38,950,000
Total	4,508,975	38,950,000

This refers to the car loan and mortgage advanced to the two Members of the County Assembly Service Board in the financial year ended 30th June 2020.

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8. Car Loan & Mortgage Insurance

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Car Loan & Mortgage Insurance premium	-	2,501,545
Total	-	2,501,545

This refers to the life insurance premium paid to Jubilee Insurance Company Ltd to cover the Loans advanced to the Members against death and disability.

9. Changes in Accounts Receivable

Description	2019 - 2020	2018 - 2019
	KShs	KShs
Account receivable as at 1 st July 2019 (A)	4,711,854	4,497,842
Account receivable issued during the year (B)	-	-
Account receivable settled during the Year (C)	4,711,854	4,497,842
Net changes in account receivables D= A+B-C	-	-

10. Changes in Accounts Payable

Description	2019 - 2020	2018 - 2019
	KShs	KShs
Accounts Payable as at 1 st July 2019 (A)	475,380	-
Accounts Payable held during the year (B)	-	-
Accounts Payable paid during the Year (C)	475,380	-
Net changes in account payables D= A+B-C	-	-

11. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Baringo County Assembly (Members) Car Loan and Mortgage 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 and their associates. The fund/scheme is related to the following entities:

- a) The County Assembly of Baringo;
- b) The County Government of Baringo;
- c) Key management;
- d) Board of Trustees.

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b) Related party transactions

Description	2019/2020	2018/2019
	KShs	KShs
Transfers from County Assembly of Baringo	-	18,500,000
Total	-	18,500,000

c) Key management remuneration

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

The Baringo County Assembly (Members) Car Loan and Mortgage Fund does not pay any remuneration for its key management and Board of Trustees as this is paid for by the County Assembly of Baringo and reported in its separate set of financial statements.

12. Excess (erroneous) Loan Repayment

Description	FY2019/2020	FY2018/2019
	KShs	KShs
	-	41,359
Total	-	41,359

This refers to the loan recovery of January 2019 from Hon. Kapchepkow Ameja Zelemoi that was erroneously recovered twice from the payroll. This extra erroneous amount of Ksh.41,359 was added to build up the car loan and mortgage Fund as indicated in the Statement of Changes in Net Assets as at 30th June 2019.

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13. Interest Income

Description	2019/2020	2018/2019
	KShs	KShs
Interest income received from Car Loans	1,479,219	1,503,244
Total	1,479,219	1,503,244

The interest income relates to the actual (cash) interest income earned and received on car loans and mortgages for the year ended 30th June 2020 and also the interest received in the current FY (2019/2020) but was earned on the loan repayment for the month of June 2019, i.e. the previous year, FY 2018/2019.

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13. 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)
N/A	N/A	N/A	N/A	N/A	N/A

Guidance Notes:

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

Note:

There were no audit recommendations in the year ended 30 June 2020 since the final audit report for the year ended 30 June 2019 had not been received.