

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

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

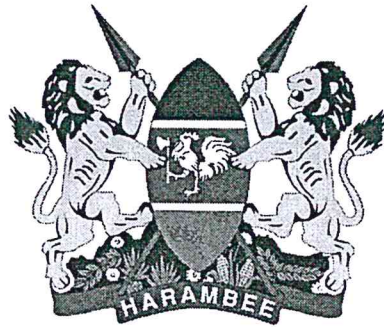
**FOR THE YEAR ENDED**

**30 JUNE, 2019**

DATE	05/04/2022
TABLED BY	DLM
COMMITTEE	—
CLERK AT THE TABLE	MR. AMOLO



ORDER FORM

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

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2019**

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



*Bomet County Government Car Loan & Mortgage Scheme Fund*  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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## **1. KEY ENTITY INFORMATION AND MANAGEMENT**

### **a) Background information**

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

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

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

The Fund's principal activity is to disburse loans to members.

### **b) Principal Activities**

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

### **c) Board of Trustees/Fund Administration Committee**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	David Kikwai	Chairperson
2	Oscar Sang	V. Chairperson
3	Wesley Sigei	Member
4	Kipngetich Toweet	Member
5	Alfred Odongo	Member
6	Charles Koech	Fund Administrator

### **d) Key Management**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	David Kikwai	Chairperson
2	Oscar Sang	V. Chairperson
3	Wesley Sigei	Member
4	Kipngetich Toweet	Member
5	Alfred Odongo	Member
6	Charles Koech	Fund Administrator

**Bomet County Government Car Loan & Mortgage Scheme Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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**e) Fund Headquarters**

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

**f) Fund Contacts**

Telephone: (+254) 0202084070  
E-mail: [info@bomet.go.ke](mailto:info@bomet.go.ke)  
Website: [www.bomet.go.ke](http://www.bomet.go.ke)

**g) Fund bankers**

Equity Bank-Bomet Branch  
A/C NO 1220277299764

**h) Independent Auditors**







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

**i) Principal Legal Advisor**

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









**2. THE BOARD OF TRUSTEES (or any other corporate governance body for the Fund)**

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



**3. MANAGEMENT TEAM**

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

#### **4. BOARD/FUND CHAIRPERSON'S REPORT**

On behalf of the Staff Car and Mortgage Management Committee I have the pleasure of presenting to you the Annual Report and financial statements for the year ended 30<sup>th</sup> June, 2019.

##### ***Fund performance***

The Fund had a balance brought forward of Ksh. 28,000,000 from 2017/18 FY which was not utilized since the funds were received towards the close of the financial year. Additional Ksh. 15M was received during the 2018/19 FY. During the year, Ksh. 11,753,791 and Ksh. 33,400,000 were disbursed as Car Loan and Mortgage respectively.

##### ***Strategy***

The disbursement of funds during the year targeted state officers which included Executive which included Governor, Deputy Governor, County Secretary, CECs and COs. Legible PSB members were also included. The criterion was informed by the amount of money allocated to Car Loan and Mortgage fund. Subsequent allocations would be cascaded further to other public servants so to conform to fund's spirit of attracting, motivating and retaining qualified civil servants in the public sector.

##### ***Conclusion***

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



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**CPA DAVID KIKWAI**  
**CHIEF OFFICER FINANCE**



## **5. REPORT OF THE FUND ADMINISTRATOR**

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

The Fund had Balance Brought Forward of Ksh. 28M with additional Ksh. 15M received during the financial year. During the period, there was total disbursements of Ksh. 45,153,791.00 with principal repayments totalling Ksh. 6,784,639.69 with interests of Ksh. 595,947.96. Ksh. 282,200 was incurred as administrative charges resulting from committee allowances paid as per SRC Circular dated 16<sup>th</sup> April, 2014 and Ministry of Devolution and Planning Circular dated 2<sup>nd</sup> August, 2013. Bank charges incurred during the year was Ksh. 5,565 while Ksh. 30,716.20 was refunded to a member due to over deduction after clearing of the loan.

The challenges experienced during the period were overcommitted payslips and contract period for the COs which either made those qualified to make higher monthly repayments and others shying away from the fund especially mortgage.

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

Signed:  \_\_\_\_\_

**CHARLES KOECH**  
**FUND ADMINISTRATOR**



## **6. CORPORATE GOVERNANCE STATEMENT**

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

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

### ***Committee Composition***

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

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

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

### ***Oversight role***

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

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

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

***Conflict of Interest***

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

***Committee meeting***

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



## **7. MANAGEMENT DISCUSSION AND ANALYSIS**

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

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

### **a) Overcommitted pay-slips**

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

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

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

### **c) Lack of Title Deeds**

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

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



**8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

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

## **9. REPORT OF THE TRUSTEES**

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Fund affairs.

### **Principal activities**

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

### **Results**

The results of the Fund for the year ended June 30, 2019 are set out on page 17 to 22

### **Trustees**

The members of the Board of Trustees who served during the year are shown on page 4.

### **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

Date: 10<sup>th</sup> April 2020

## **10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Bomet County Car Loan and 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 County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Bomet County Car Loan and 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, 2019, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.



**Approval of the financial statements**

The Fund's financial statements were approved by the Board on 10<sup>th</sup> April 2020  
and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'A. M. M.', is written over a horizontal line.

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Administrator of the County Public Fund





# REPUBLIC OF KENYA

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Anniversary Towers  
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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON BOMET COUNTY CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2019

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### REPORT ON THE FINANCIAL STATEMENTS

#### Adverse Opinion

I have audited the accompanying financial statements of Bomet County Car Loan and Mortgage Scheme Fund set out on pages 15 to 55, which comprise of the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Bomet County Car Loan and Mortgage Scheme Fund as at 30 June, 2019 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012.

#### Basis for Adverse Opinion

##### 1. Failure to Submit Financial Statements

The Fund was established in 2017/2018 financial year after the enactment of the enabling legislation in 2018 and the first disbursement of funds totalling to Kshs.28,000,000 from the County Executive was transferred to the Fund. However, the Management did not prepare and submit for audit the financial statements for the year ended 30 June, 2018. This is contrary to the requirements of Section 116(7) of the Public Finance Management Act, 2012 requires an Accounting Officer to prepare and submit annual financial statements for each financial year within three months after the end of the financial year to which the accounts relate.

Under the circumstances, the accuracy and completeness of the opening balances as at 01 July, 2018 could not be confirmed.



## **2. Irregular Consolidation of Two Separate Funds**

The County Assembly of Bomet enacted laws for two separate funds on 13 February, 2018 vide Legal Notices No.2 and No.3 for the establishment of the Bomet County Executive (State and Public Officers) Car Loan Fund and Bomet County Mortgage Scheme Fund respectively. However, the Management prepared and submitted for audit one set of financial statements of the funds for the year ended 30 June, 2019 thereby consolidating the financial transactions of the two Funds.

Consequently, the accuracy and validity of the financial statements presented for audit for the year ended 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Bomet County Car Loan and Mortgage Scheme Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

### **Key Audit Matters**

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Failure to have Joint Registration on Motor Vehicles**

The statement of financial position reflects long-term receivables from exchange transactions balance of Kshs.32,332,432 and as disclosed in Note 12 to the financial statements. The balance includes loans totalling to Kshs.11,753,791 disbursed to members for purchase of motor vehicles. However, ownership documents for the vehicles were not jointly registered in the name of the borrower and the County Government of Bomet contrary to Regulation 8(2) of Bomet County Executive Car



Loan (State and Public Officers) Scheme Fund Regulations, 2018. Further, there were no to evidence that the vehicles purchased under the Scheme were comprehensively insured as required by Regulation 13(1) of the Fund Regulations.

In the circumstances, the Management is in breach of the law.

## **2. Unsecured Mortgage**

The statement of cash flows reflects loan disbursements balance of Kshs.45,153,791 during the year. The balance includes an amount of Kshs.33,400,000 mortgage disbursements to seven (7) Public and State Officers, out of which an amount, Kshs.26,889,175 were not secured through a charge on the properties. This is contrary to Regulation 15(1) of the Bomet County (State and Public Officers) Mortgage Scheme Fund Regulations, 2018 which states that the Fund shall have a charge registered on the property financed through a loan granted under these Regulations and shall be entitled to have its name entered in all documents of the title for such property. Further, mortgage protection and fire policies were not taken against the loans contrary to Regulation 16(1) of the Regulations, 2018 which states that a borrower shall take out and maintain a mortgage protection policy and a fire policy with insurance firm approved by the committee.

In the circumstances, the Management is 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 Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards 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 overall governance.

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

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall 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

14 February, 2022



**12. FINANCIAL STATEMENTS**

**12.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED  
 30<sup>th</sup> JUNE 2019**

	Note	FY2018/19	FY2017/2018
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1		
Transfers from the County Government	2		
Fines, penalties and other levies	3		
<b>Revenue from exchange transactions</b>			
Interest income	4	595,948	
Other income	5	-	
<b>Total revenue</b>		595,948	
<b>Expenses</b>			
Fund administration expenses	6	282,200	
Staff Costs	7	-	
General expenses	8	-	
Finance cost	9	5,565	
<b>Total expenses</b>		<b>287,765</b>	
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	10	-	
<b>Surplus/(deficit) for the period</b>		<b>308,183</b>	

The notes set out on pages 40 to 56 form an integral part of these Financial Statements



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**12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Note	FY2018/19	FY 2017/18
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	4,939,032	28,000,000
Current portion of long-term receivables from exchange transactions	12	6,036,719	-
Prepayments	13	-	
Inventories	14	-	
<b>Non-current assets</b>			
Property, plant and equipment	15	-	
Intangible assets	16	-	
Long term receivables from exchange transactions	12	32,332,432	
<b>Total assets</b>		<b>43,308,183</b>	<b>28,000,000</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	17	-	
Provisions	18	-	
Current portion of borrowings	19	-	
Employee benefit obligations	20	-	
<b>Non-current liabilities</b>			
Non-current employee benefit obligation	20	-	
Long term portion of borrowings	19	-	
<b>Total liabilities</b>		-	
<b>Net assets</b>			
Revolving Fund		43,000,000	28,000,000
Reserves		-	
Accumulated surplus		<b>308,183</b>	
<b>Total net assets and liabilities</b>		<b>43,308,183</b>	<b>28,000,000</b>

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The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 10<sup>th</sup> April 2020 and signed by:



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Administrator of the Fund  
Name: Charles Koech



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Fund Accountant  
Name: Erick Chepkwony

ICPAK No.:18039

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**12.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
<b>Balance as at 1<sup>st</sup> July 2017</b>			-	-
Surplus/(deficit) for the period				
Funds received during the year			-	-
Revaluation gain			-	-
<b>Balance as at 30<sup>th</sup> June 2018</b>	<b>28,000,000</b>		-	<b>28,000,000</b>
<b>Balance as at 1<sup>st</sup> July 2018</b>	<b>28,000,000</b>		-	<b>28,000,000</b>
Surplus/(deficit) for the period			308,183	<b>308,183</b>
Funds received during the year	15,000,000			<b>15,000,000</b>
Revaluation gain			-	-
<b>Balance as at 30<sup>th</sup> June 2019</b>	<b>43,000,000</b>			<b>43,308,183</b>



**12.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

	Note	FY2018/19	FY2017/18
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	
Transfers from the County Government		15,000,000	28,000,000
Interest received			
Receipts from other operating activities		-	
<b>Total Receipts</b>		15,000,000	28,000,000
<b>Payments</b>			
Fund administration expenses		282,200	
General expenses			
Finance cost		5,565	
<b>Total Payments</b>		<b>287,765</b>	
<b>Net cash flows from operating activities</b>	21	<b>14,712,335</b>	<b>28,000,000</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		-	
Proceeds from sale of property, plant and equipment		-	
Proceeds from loan principal repayments		6,784,640	
Loan disbursements paid out		-45,153,791	
<b>Net cash flows used in investing activities</b>		<b>38,369,151</b>	
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		595,948	
Additional borrowings		-	
Repayment of borrowings		-	
<b>Net cash flows used in financing activities</b>		<b>595,948</b>	

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<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>- 23,060,968</b>	<b>28,000,000</b>
Cash and cash equivalents at 1 <sup>st</sup> July 2018	11	28,000,000	-
<b>Cash and cash equivalents at 30<sup>th</sup> June 2019</b>	11	<b>4,939,032</b>	<b>28,000,000</b>

**12.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2019**

	Original Budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2019	2019	2019	2019	2019	2019
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>						
Public contributions and donations	-	-	-	-	-	-
Transfers from County Govt.	43,000,000		43,000,000	43,000,000	-	100%
Interest income				595,948		-
Other income						-
Repayments				6,784,640		
<b>Total income</b>	<b>43,000,000</b>		<b>43,000,000</b>	<b>50,380,587</b>		<b>117%</b>
<b>Expenses</b>						
Fund administration expenses	1,290,000		1,290,000	282,200	1,007,800	12%
Staff costs	-		-	-		
General expenses						
Finance cost	6,000		6,000	5,565	435	93%
Disbursements	41,704,000		41,704,000	45,153,791	3,449,791	108%



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<b>Total expenditure</b>	<b>43,000,000</b>		<b>43,000,000</b>	<b>45,442,272</b>	<b>2,153,791</b>	<b>105%</b>
<b>Surplus for the period</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>4,939,032</b>		

## **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<sup>th</sup> June 2019**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 39:</b> Employee Benefits	<b>Applicable: 1<sup>st</sup> January 2019</b> The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

#### **b) New and amended standards and interpretations in issue but not yet effective in the year ended 30<sup>th</sup> June 2019**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019:</b> 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 which are covered purely under Public Sector combinations as amalgamations.

#### **c) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2018.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3. Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

**ii) Revenue from exchange transactions**

***Interest income***

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

**4. Budget information**

The original budget for FY 2018/2019 was approved by the County Assembly on June 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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



## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5. Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

### **6. Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

### **7. Financial instruments**

#### ***Financial assets***

#### ***Initial recognition and measurement***

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

#### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### ***Held-to-maturity***

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

### ***Impairment of financial assets***

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

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

### ***Financial liabilities***

#### ***Initial recognition and measurement***

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

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

#### ***Loans and borrowing***

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

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



**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**8. Inventories**

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

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

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

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

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

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

**9. Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

***Contingent liabilities***

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Contingent assets***

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**10. Nature and purpose of reserves**

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

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

**11. Employee benefits – Retirement benefit plans**

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

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

**12. Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.



**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**13. Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**14. Related parties**

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

**15. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**16. Comparative figures**

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

**17. Events after the reporting period**

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

**18. Ultimate and Holding Entity**

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

**19. Currency**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**20. Significant judgments and sources of estimation uncertainty**

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made: e.g

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

**Useful lives and residual values**

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

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

**Provisions**

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

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



**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**21. Financial risk management**

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

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

**a) Credit risk**

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

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

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:

	<b>Total amount KShs</b>	<b>Fully performing KShs</b>	<b>Past due KShs</b>	<b>Impaired KShs</b>
<b>At 30 June 2019</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-
	-	-	-	-
<b>At 30 June 2018</b>	-	-	-	-
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The entity has significant concentration of credit risk on amounts due from  
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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
<b>At 30 June 2019</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2018</b>	-	-	-	-
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-



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Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Market risk**

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

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

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

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

**i. Foreign currency risk**

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

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

		<b>Other currencies</b>	<b>Total</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>At 30 June 2019</b>			
Financial assets (investments, cash ,debtors)	-	-	-
	-	-	-
Liabilities	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
	-	-	-



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Net foreign currency asset/(liability)	-	-	-
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The Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Foreign currency sensitivity analysis**

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

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

**ii. Interest rate risk**

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

*Management of interest rate risk*

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

*Sensitivity analysis*

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates



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increase/decrease by one percentage point as a decrease/increase. A rate increase/decrease of 5% would result in a decrease/increase in profit before tax

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d) Capital risk management**

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

	<b>2019</b>		<b>2018</b>
	<b>KShs</b>		<b>KShs</b>
Revaluation reserve	-	-	-
Revolving fund	-	-	-
Accumulated surplus	-	-	-
<b>Total funds</b>	-	-	-
Total borrowings	-	-	-
Less: cash and bank balances	-	-	-
Net debt/(excess cash and cash equivalents)	-	-	-
<b>Gearing</b>	-	-	-



**12.7. NOTES TO THE FINANCIAL STATEMENTS**

**1. Public contributions and donations**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Donation from development partners	-	-
Contributions from the public	-	-
<b>Total</b>	-	-

**2. Transfers from County Government**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Transfers from County Govt. – operations	15,000,000	28,000,000
Payments by County on behalf of the entity		
<b>Total</b>		

**3. Fines, penalties and other levies**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Late payment penalties	-	-
Fines	-	-
<b>Total</b>	-	-

**4. Interest income**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Interest income from loans(mortgage or car loans	595,948	-
<b>Total interest income</b>	<b>595,948</b>	-

Interest resulting from 3% charged on loans borrowed

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**5. Other income**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income	-	-
<b>Total other income</b>	-	-

**6. Fund administration expenses**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Loan processing costs/Allowances	282,200	
Professional services costs	-	
<b>Total</b>		

**7. Staff costs**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
<b>Total</b>	-	-



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8. General expenses**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	-	-
<b>Total</b>	-	-

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9. Finance costs**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Interest on Bank overdrafts		
Interest on loans from banks		
Bank charges	5,565	0
<b>Total</b>		

**10. Gain on disposal of assets**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
<b>Total</b>	-	-

**11. Cash and cash equivalents**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Fixed deposits account	-	
On – call deposits	-	
Current account	4,939,032	28,000,000
Others	-	
<b>Total cash and cash equivalents</b>	<b>4,939,031.65</b>	<b>28,000,000</b>



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

		FY2018/2019	FY2017/2018
Financial institution	Account number	KShs	KShs
<b>a) Fixed deposits account</b>			
Kenya Commercial bank			
Equity Bank, etc			
<b>Sub- total</b>			
<b>b) On - call deposits</b>			
Kenya Commercial bank			
Equity Bank - etc			
<b>Sub- total</b>			
<b>c) Current account</b>			
Kenya Commercial bank			
Equity Bank-Bomet - 1220277299764		4,939,032	28,000,000.00
<b>Sub- total</b>		<b>4,939,032</b>	<b>28,000,000.00</b>
<b>d) Others(specify)</b>			
Cash in transit			
Cash in hand			
M Pesa			
<b>Sub- total</b>			
<b>Grand total</b>			

**12. Receivables from exchange transactions**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
<b>Current Receivables</b>		
Interest receivable	0	0
Current loan repayments due	6,036,719	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
<b>Total Current receivables</b>	<b>6,036,719</b>	
<b>Non Current receivables</b>		

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Long term loan repayments due	32,332,432	-
<b>Total Non current receivables</b>	<b>32,332,432</b>	-
<b>Total receivables from exchange transactions</b>	<b>38,369,151</b>	-



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**13. Prepayments**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
<b>Total</b>	-	-

**14. Inventories**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
<b>Total inventories at the lower of cost and net realizable value</b>	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**15. Property, plant and equipment**

Cost	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
	KShs	KShs	KShs	KShs	KShs
At 1 <sup>st</sup> July 2017	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
At 30 <sup>th</sup> June 2018	-	-	-	-	-
At 1 <sup>st</sup> July 2018	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
At 30 <sup>th</sup> June 2019	-	-	-	-	-
<b>Depreciation and impairment</b>					
At 1 <sup>st</sup> July 2017	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30 <sup>th</sup> June 2018	-	-	-	-	-
At 1 <sup>st</sup> July 2018	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
At 30 <sup>th</sup> June 2019	-	-	-	-	-
<b>Net book values</b>					
At 30 <sup>th</sup> June 2018	-	-	-	-	-
At 30 <sup>th</sup> June 2019	-	-	-	-	-



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**16. Intangible assets-software**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
<b>Cost</b>		
<b>At beginning of the year</b>	-	-
Additions	-	-
<b>At end of the year</b>	-	-
<b>Amortization and impairment</b>		
<b>At beginning of the year</b>	-	-
Amortization	-	-
<b>At end of the year</b>	-	-
Impairment loss	-	-
<b>At end of the year</b>	-	-
<b>NBV</b>	-	-

**17. Trade and other payables from exchange transactions**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
<b>Total trade and other payables</b>	-	-

**18. Provisions**

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**19. Borrowings**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
<b>Balance at beginning of the period</b>	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestics borrowings during the period	-	-
<b>Balance at end of the period</b>	-	-

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

	FY2018/2019	FY2017/2018
	KShs	KShs
<b>External Borrowings</b>		
Dollar denominated loan	-	-
Sterling Pound denominated loan	-	-
Euro denominated loan from	-	-
<b>Domestic Borrowings</b>	-	-
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
<b>Total balance at end of the year</b>	-	-

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

Description	FY2018/2019	FY2017/2018
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	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
<b>Total</b>	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**20. Employee benefit obligations**

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

**21. Cash generated from operations**

	FY2018/2019 KShs	FY2017/2018 KShs
<b>Surplus for the year before tax</b>		
<b>Adjusted for:</b>		
Depreciation		
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
<b>Working Capital adjustments</b>		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
<b>Net cash flow from operating activities</b>	-	-

**22. Related party balances**

**a) Nature of related party relationships**

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

- a) The County Government;



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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**b) Related party transactions**

	FY2018/2019	FY2017/2018
	KShs	KShs
Transfers from related parties'	-	-
Transfers to related parties	-	-

**c) Key management remuneration**

	FY2018/2019	FY2017/2018
	KShs	KShs
Board of Trustees	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-

**d) Due from related parties**

	FY2018/2019	FY2017/2018
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	-	-
<b>Total</b>	-	-

**e) Due to related parties**

	FY2018/2019	FY2017/2018
	KShs	KShs
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
<b>Total</b>	-	-

**23. Contingent assets and contingent liabilities**

<b>Contingent liabilities</b>	FY2018/2019	FY2017/2018
	KShs	KShs
Court case xxx against the Fund	-	-
Bank guarantees	-	-



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<b>Total</b>	-	-
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**13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		There were no issues raised by the auditor as the fund did not operate/transact any business during the previous financial year			

**Guidance Notes:**

- a) Use the same reference numbers as contained in the external audit report;



