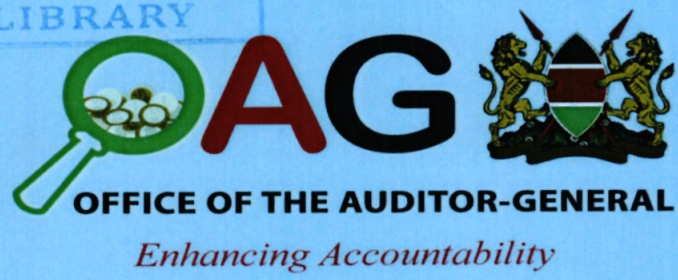


Scanned

PARLIAMENT  
OF KENYA  
LIBRARY

REPUBLIC OF KENYA



# REPORT

	PAPERS LAID
DATE	18/10/2022
TABLED BY	Senate Majority Whip
OF COMMITTEE	_____
CLERK AT THE TABLE	M. ADJIBODU

## THE AUDITOR-GENERAL

ON

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

FOR THE YEAR ENDED  
30 JUNE, 2021





---

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

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2021**

---

**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, 2021***

TABLE OF CONTENTS

1. KEY ENTITY INFORMATION AND MANAGEMENT	2
2. LOANS MANAGEMENT COMMITTEE	4
3. STATEMENT OF PERFORMANCE AGAINST BARINGO COUNTY ASSEMBLY (MEMBERS) CAR LOAN AND MORTGAGE FUND PREDETERMINED OBJECTIVES	7
4. MANAGEMENT TEAM	8
5. BOARD/FUND CHAIRPERSON'S REPORT	9
6. REPORT OF THE FUND ADMINISTRATOR	10
7. CORPORATE GOVERNANCE STATEMENT	11
8. MANAGEMENT DISCUSSION AND ANALYSIS	12
9. REPORT OF THE TRUSTEES	13
10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	14
11. REPORT OF THE INDEPENDENT AUDITOR	15
12. FINANCIAL STATEMENTS	16
<b>12.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED     30 JUNE 2021 .....</b>	<b>16</b>
<b>12.2. STATEMENT OF FINANCIAL POSITIONAS AT 30 JUNE 2021 .....</b>	<b>17</b>
<b>12.3. STATEMENT OF CHANGES IN NET ASSETSAS AT 30 JUNE 2021 .....</b>	<b>18</b>
<b>12.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021 .</b>	<b>19</b>
<b>12.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL     AMOUNTSFOR THE PERIOD ENDED 30 JUNE 2021 .....</b>	<b>20</b>
<b>12.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....</b>	<b>21</b>
<b>12.7. NOTES TO THE FINANCIAL STATEMENTS .....</b>	<b>31</b>
13. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS	36



**Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

---

**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 27<sup>th</sup> 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) Loans Management Committee**

No.	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.	CPA Alfred Keitany	Director Finance & Accounting Services ( ex-officio member)

**d) Key Management**

No.	Name	Position
1	CPA Richard Koech	Fund Administrator
2	Betty Toroitich	Legal Officer( ex-officio member)
3	CPA Alfred Keitany	Director Finance & Accounting Services ( ex-officio member)



***Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021***

---

**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






**Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

**2. LOANS MANAGEMENT COMMITTEE**


 <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  
Reports and Financial Statements  
For the year ended June 30, 2021**

 <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 &amp; West Pokot County Government) -Currently the Clerk to Baringo County Assembly</p>



**Baringo County Assembly (Members) Car Loan and Mortgage Fund  
 Reports and Financial Statements  
 For the year ended June 30, 2021**

 <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. CPA Alfred Kandie Keitany- Director Finance and Accounting Services (ex-officio member)</p>	<p>Year of Birth;1983          Key Qualifications: MBA(Finance)-Catholic University of Eastern Africa.          Bachelor of Business Management (Accounting Option)-Moi University.          CPA(K)          Work Experience: Principal Accountant-Min of Health (NAS COP) 2009-2020.          Currently Director Finance and Accounting Services, Baringo County Assembly</p>

***Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021***

---

**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.

The Car Loan advanced to the Honourable Members was converted to a Car Grant in February 2021 following an advisory from the Salaries and Remuneration Commission.

**Challenges**

With the conversion of the car loan to a grant, there will be inadequate funds to lend to the incoming Members of the 3<sup>rd</sup> Assembly. This calls for consideration of a budgetary provision of not less than Ksh. 100 million in the financial year 2022/2023 to cater for the incoming 45 MCAs and the Honourable Speaker.




**Opportunities**

Once all the Members and staff are able to fully repay the loans advanced to them, and funds are set aside in the budget for FY 2022/2023 to cater for car loans, it will be possible to lend to the incoming Members of the 3<sup>rd</sup> Assembly in a timely manner. This will in turn afford the members ample time to repay the loans.



**Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

**4. MANAGEMENT TEAM**

Name	Detail 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 &amp; 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. CPA Alfred Kandie Keitany- Director Finance and Accounting Services (ex-officio member)</p>	<p>Year of Birth;1983            Key Qualifications: MBA(Finance)-Catholic University of Eastern Africa.            Bachelor of Business Management (Accounting Option)-Moi University.            CPA(K)            Work Experience: Principal Accountant-Min of Health (NASCO) 2009-2020.            Currently Director Finance and Accounting Services, Baringo County Assembly</p>

**Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

---

**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 30<sup>th</sup> June 2021. 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 Director, Finance & Accounting Services, in April 2020.

**(b) Car Loans converted to Car Grant and loan recoveries**

During the year ended 30<sup>th</sup> June 2021, car loans totalling Ksh. 95,547,819 were converted to car grants as per the advisory of the Salaries and Remuneration Commission. Out of the total loans disbursed so far, Ksh. 49,228,528 was recovered from the Members during the period.

**(c) Surplus for the period**

During the year ended 30<sup>th</sup> June 2021, the Fund realized a surplus of Ksh. 1,423,284 as compared to Ksh. 1,342,164 during FY 2019/2020.

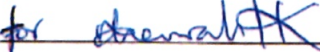
**(d) Future Outlook of the Fund**

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 Members' loans are expected to be cleared by June 2022.

**(e) Conclusion**

In conclusion, FY 2020/2021 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



**Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

---

**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 30<sup>th</sup> June 2021. 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 and the Legal Officer.

**(b) Car Loans converted to Car Grant and loan recoveries**

During the year ended 30<sup>th</sup> June 2021, car loans totalling Ksh. 95,547,819 were converted to car grants as per the advisory of the Salaries and Remuneration Commission. Out of the total loans disbursed so far, Ksh. 49,228,528 was recovered from the Members during the period.

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

**(c) Surplus for the period**

During the year ended 30<sup>th</sup> June 2021, the Fund realized a surplus of Ksh.1,423,284 as compared to Ksh. 1,342,164 during FY 2019/2020. The interest income earned during the period amounted to Ksh. 1,458,511 compared to Ksh. 1,342,929 in FY 2019/2020 while the expenses in the period were Ksh. 35,227 compared to Ksh. 765 in FY 2019/2020.

**(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 Members' loans are expected to be cleared by June 2022.

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

**Conclusion**

In conclusion, FY 2020/2021 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 Koech



***Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021***

---

**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 2020-2021, 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.

**Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

---

**9. REPORT OF THE TRUSTEES**

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2021 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, 2021 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: 13/1/2022



## 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.

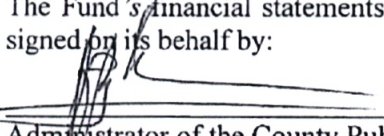
The Administrator of the Baringo County Assembly (Members) Car Loan and Mortgage Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2021. 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, 2021, 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 13th January 2022 and signed on its behalf by:

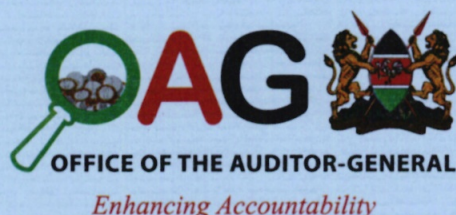
  
Administrator of the County Public Fund





# 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 (MEMBERS) CAR LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2021**

---

### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Baringo County Assembly Members Car Loan and Mortgage Fund set out on pages 16 to 36, which comprise the



statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Baringo County Assembly Members Car Loan and Mortgage Fund as at 30 June, 2021 and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management (Baringo County Assembly (Members) Car Loan Scheme Fund ) Regulation, 2014, the Public Finance Management (Baringo County Assembly (Members) Mortgage Scheme Fund Regulation, 2018 and the Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

### **1.0 Inaccuracies in the Financial Statements**

#### **1.1 Undisclosed Fuel Expenses**

The statements of cash flows and as disclosed in Note 14 to the financial statements reflects a payment of Kshs.1,280,000 in respect of supply of fuel. However, the expenditure is not reflected in the statement of financial performance as part of the expenses. Although the Management explained that the payment was for fuel to facilitate Baringo County Assembly's activities and has since been refunded, the request and approval of the advance by the loans committee was not been provided for audit verification.

#### **1.2 Undisclosed Car Loan Insurance Premiums**

The statement of financial position and reflects revolving Fund balance of Kshs.110,741,991 as at 30 June, 2021 which includes Kshs.95,547,819 total car loans converted to car grants and car loan insurance premiums of Kshs.51,549. However, the insurance expenditure was not debited to the beneficiary account as stipulated in Regulation 16(4) of the Public Finance Management (Baringo County Assembly Members Car Loan Scheme Fund) Regulations, 2014 and Regulation 16(4) of the Public Finance Management (Baringo County Assembly Members Mortgage Scheme Fund) Regulations, 2018 and was not disclosed as an expenditure.

#### **1.3 Inaccurate Statement of Cashflows**

The statement of cash flows reflects nil net increase/ (decrease) in cash and cash equivalents which varies with the computed net decrease in cash and cash equivalents



of Kshs.14,732,714 resulting to unexplained and unreconciled difference of Kshs.14,732,714.

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2021 could not be confirmed.

## **2.0 Unsupported Interest Income**

The statement of financial performance reflects interest income of Kshs.1,458,511. However, a general ledger to support the principal loan, interest payable, loan repayment, interest repayment and outstanding loan balance was not provided for audit verification.

In the circumstances, the accuracy and completeness of interest income balance of Kshs.1,458,511 for the year ended 30 June, 2021 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 Members 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 during 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**

#### **1.0 Irregular Combination of the Financial Statements**

Baringo County Assembly Members Car Loan Scheme Fund Regulations, 2014 and Baringo County Members Mortgage Fund Regulations, 2018 are two separate schemes of which Management irregularly prepared combined financial statements. The



Management should prepare separate financial statements since they are established under different legislations.

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

## **2.0 Unsecured Mortgaged Properties**

The statement of financial position and as disclosed in Note 4 reflects current portion of long- term receivables from exchange transactions balance of Kshs.46,373,861 which relates to mortgage loans whose titles deeds have not been charged contrary to Regulation 19(b) of Public Finance Management (Baringo County Assembly (Members) Mortgage Scheme Regulations, 2018 which requires a mortgage institution appointed under the regulation to charge security on properties acquired through loans from the Fund to protect the interests of the Fund and act as a custodian of such charges.

The mortgages issued by the Fund had not been protected by mortgage protection policy and fire policy contrary to Regulation 16 of the Public Finance Management (Baringo County Assembly (Members) Mortgage Scheme Regulations, 2018) which requires that a borrower to 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 such borrower's account.

In the circumstances, failure to secure the mortgaged properties and to have of a mortgage protection policy and a fire policy exposes the Fund to loss of public funds and may not be able to recover the outstanding loan balance in case of any unforeseen occurrence or default in repayment of the loans by the beneficiaries.

## **3.0 Non-Compliance with the Public Sector Accounting Standards**

A review of the financial statements provided for audit review revealed that the financial statements have been signed by a Fund administrator whose appointment to the position was not provided. This is contrary to Regulation 8(1) of the Public Finance Management (Baringo County Assembly Members) Car Loan Scheme Fund Regulations, 2014 which requires that the County Executive Member for Finance to designate a person responsible for administering the Fund.

In the circumstances, the financial statements are not presented in accordance with International Public Sector Accounting Standards.

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



## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards 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 sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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

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

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



## **Auditor-General's Responsibilities for the Audit**

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

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

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

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

**22 July, 2022**



**Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

---

**12. FINANCIAL STATEMENTS**

**12.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30  
JUNE 2021**

	Note	2020/21 KSh	2019/20 KSh
<b>Revenue from exchange transactions</b>			
Interest income	1	1,458,511	1,342,929
<b>Total revenue</b>		<b>1,458,511</b>	<b>1,342,929</b>
<b>Expenses</b>			
Bank Charges	2	5,727	765
Sitting allowance	12	29,500	-
<b>Total expenses</b>		<b>35,227</b>	<b>765</b>
<b>Surplus/( deficit) for the period</b>		<b>1,423,284</b>	<b>1,342,164</b>

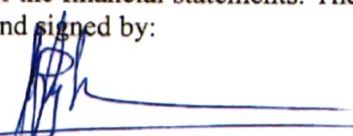
The notes set out on pages 31 to 36 form an integral part of these Financial Statements


**Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

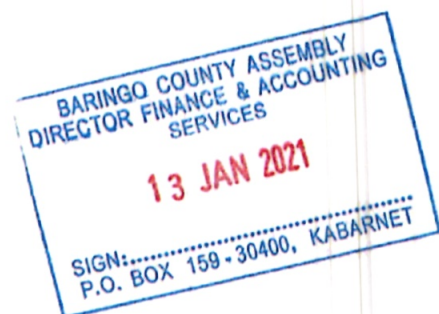
**12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

	2021	2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	3 70,556,336	85,289,050
Current portion of long- term receivables from exchange transactions	4 46,373,861	56,482,984
	<b>116,930,197</b>	<b>141,772,034</b>
<b>Non-current assets</b>		
Long term receivables from exchange transactions	4 -	69,334,247
	-	<b>69,334,247</b>
<b>Total assets</b>	<b>116,930,197</b>	<b>211,106,281</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
<b>Total liabilities</b>	-	-
<b>Net Assets</b>	<b>116,930,197</b>	<b>211,106,281</b>
Revolving Fund	110,741,991	<b>206,341,359</b>
Accumulated surplus	6,188,206	<b>4,764,922</b>
<b>Total net assets and Liabilities</b>	<b>116,930,197</b>	<b>211,106,281</b>

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 13/1/2022 and signed by:

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

  
 Director Finance & Accounting Services  
 Name: CPA Alfred Keitany  
 ICPAK Member No: 17968





**Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

**12.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021**

		Revenue Fund	Assets	Total
<b>Balance as at 1 July 2018</b>		187,800,000	<b>1,794,072</b>	<b>189,594,072</b>
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
<b>Balance as at 30 June 2019</b>		<b>206,341,359</b>	<b>3,422,758</b>	<b>209,764,117</b>
<b>Balance as at 1 July 2019</b>		<b>206,341,359</b>	<b>3,422,758</b>	<b>209,764,117</b>
Surplus/(deficit) for the period		-	1,342,164	1,342,164
Funds received during the year		-	-	-
<b>Balance as at 30 June 2020</b>		<b>206,341,359</b>	<b>4,764,922</b>	<b>211,106,281</b>
<b>Balance as at 1 July 2020</b>		<b>206,341,359</b>	<b>4,764,922</b>	<b>211,106,281</b>
Surplus/(deficit) for the period		-	1,423,284	1,423,284
Funds received during the year		-	-	-
Cash Refund of amount of car loan repayments already recovered after conversion of the Car Loan Fund to Car Grant	13	(63,874,466)	-	(63,874,466)
Car Loan Balance written off from the books of accounts (amount unpaid by members for the period April-June 2020 and February 2021- June 2022)	13	(31,673,353)	-	(31,673,353)
Car Loan/Mortgage Insurance Premium paid to Jubilee Insurance	7	(51,549)	-	(51,549)
<b>Balance as at 30 June 2021</b>		<b>110,741,991,</b>	<b>6,188,206</b>	<b>116,930,197</b>

**Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

**12.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2020/21/21 KSh	2019/20/20 KSh
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Interest received	11	1,465,552	1,479,219
<b>Total Receipts</b>		<b>1,465,552</b>	<b>1,479,219</b>
<b>Payments</b>			
Bank Charges	2	5,727	765
Sitting allowances	12	29,500	-
<b>Adjusted for:</b>			
Decrease/(Increase) in Accounts receivable	8	-	-
Increase/(Decrease) in Accounts Payable	9	-	-
<b>Net cash flows from operating activities</b>		<b>1,430,325</b>	<b>1,478,454</b>
<b>Cash flows from investing activities</b>			
Loan prepayments from Members		-	-
Proceeds from loan principal repayments	5	47,762,976	48,400,410
Loan disbursements paid out	6	-	(4,508,975)
<b>Net cash flows from investing activities</b>		<b>49,193,301</b>	<b>43,891,435</b>
<b>Cash flows from financing activities</b>			
Exchequer receipts		-	-
Car loan & Mortgage Insurance	7	(51,549)	-
Conversion of Car Loan to a Car Grant through a refund to the Members of the amount of loan already repaid	13	(63,874,466)	
Payment for Supply of fuel	14	(1,280,000)	
Refund for the supply of fuel	15	1,280,000	
<b>Net cash flows from financing activities</b>		<b>(63,926,015)</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			<b>45,369,889</b>
Cash and cash equivalents at 1 JULY	3	85,289,050	39,919,161
<b>Cash and cash equivalents at 30 JUNE</b>	<b>3</b>	<b>70,556,336</b>	<b>85,289,050</b>



**Baringo County Assembly (Members) Car Loan and Mortgage Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

**12.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2021**

<b>Revenue</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	
Interest income	1,458,511	-	1,458,511	1,458,511	-	100%
<b>Total income</b>	<b>1,458,511</b>	<b>-</b>	<b>1,458,511</b>	<b>1,458,511</b>	<b>-</b>	<b>100%</b>
<b>Expenses</b>						
Bank Charges	5,727	-	5,727	5,727	-	100%
Sitting allowances	29,500	-	29,500	29,500	-	100%
<b>Total expenditure</b>	<b>35,227</b>	<b>-</b>	<b>35,227</b>	<b>35,227</b>	<b>-</b>	<b>100%</b>
<b>Surplus for the period</b>	<b>1,423,284</b>	<b>-</b>	<b>1,423,284</b>	<b>1,423,284</b>		<b>100%</b>

**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.*

**Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

**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	<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 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 2021**

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2022:</b> 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"> <li>• 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;</li> </ul>



**Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b></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><b>Applicable: 1st January 2022:</b></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><b>Applicable: 1<sup>st</sup> January 2021:</b></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>

**Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

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 2021.

**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.



***Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021***

---

**4. Budget information**

The original budget for FY 2020/2021 was approved by the County Assembly on 16<sup>th</sup> July 2020. 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.

***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

***Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021***

---

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.



***Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021***

---

***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.

**10. Events after the reporting period**

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

***Baringo County Assembly (Members) Car Loan and Mortgage Fund***  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

---

**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

**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



**Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

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:

	Carrying amount KSh	Fully performing KSh	Partly performing KSh	Impaired KSh
<b>At 30 June 2021</b>				
Receivables from exchange transactions	46,373,861	46,373,861	-	-
Bank balances	70,556,336	70,556,336	-	-
<b>Total</b>	<b>110,930,197</b>	<b>110,930,197</b>	-	-
<b>At 30 June 2020</b>				
Receivables from exchange transactions	125,817,231	125,817,231	-	-
Bank balances	85,289,050	85,289,050	-	-
<b>Total</b>	<b>211,106,281</b>	<b>211,106,281</b>	-	-

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

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

**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 12 months	Between 12 months and 3 months	Over 3 months	Total
	KShs	KShs	KShs	KShs
<b>At 30 June 2021</b>				
Trade payables (Refundable deposits)	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2020</b>				
Trade payables (Refundable deposits)	-	-	-	-
<b>Total</b>	-	-	-	-

**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.



**Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

**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:

	2021	2020
	Ken Sh	Ken Sh
Revolving fund	110,741,991	206,341,359
Accumulated surplus	6,188,206	4,764,922
<b>Total funds</b>	<b>116,930,197</b>	<b>211,106,281</b>
Total borrowings	-	-
Less: cash and bank balances	70,556,336	85,289,050
Net debt/(excess cash and cash equivalents)	(70,556,336)	(85,289,050)
<b>Gearing</b>	-	-

**Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

**12.7. NOTES TO THE FINANCIAL STATEMENTS**

**1. Interest Income on Loans**

Description	2020/2021	2019/2020
	KSh	KSh
Interest income from loans(mortgage & car loans)- Cash Received	1,458,511	1,335,888
Interest income from loans(mortgage & car loans)- Receivable	-	7,041
<b>Total</b>	<b>1,458,511</b>	<b>1,342,929</b>

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

**2. Bank Charges**

Description	2020/2021	2019/2020
	KSh	KSh
Bank Charges	5,727	765
<b>Total</b>	<b>5,727</b>	<b>765</b>

**3. Cash and cash equivalents**

Description	2020/2021	2019/2020
	KSh	KSh
Baringo County Assembly Car Loan & Mortgage Fund Account	70,556,336	85,289,050
<b>Total cash and cash equivalents</b>	<b>70,556,336</b>	<b>85,289,050</b>

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

Description	Account number	2020/2021	2019/2020
		KSh	KSh
<b>a) Current account</b>			
Kenya Commercial bank	1152063324	70,556,336	85,289,050
<b>Total</b>		<b>70,556,336</b>	<b>85,289,050</b>



**Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

**4. Receivables from exchange transactions**

	2020/21	2019/20
	KSSh	KSSh
<b>Current Receivables</b>		-
Interest receivable	-	-
Current loan repayments due	46,373,861	56,482,984
<b>Total Current receivables</b>	<b>46,373,861</b>	<b>56,482,984</b>
<b>Non-Current receivables</b>		
Long term loan repayments due	-	69,334,247
<b>Total Non- current receivables</b>	<b>-</b>	<b>69,334,247</b>
<b>Total receivables from exchange transactions</b>	<b>46,373,861</b>	<b>125,817,231</b>

**5. Proceeds from Principal Loan Repayments**

	2020/21	2019/20
	KSSh	KSSh
Principal Loan Repayments-Cash	47,762,976	48,400,410
<b>Total</b>	<b>47,762,976</b>	<b>48,400,410</b>

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 2021.

**6. Loan Disbursements paid out**

	2020/21	2019/20
	KSSh	KSSh
Loan Disbursements	-	4,508,975
<b>Total</b>	<b>-</b>	<b>4,508,975</b>

This refers to the car loan and mortgage advanced to the two Members of the County Assembly Service Board.

**7. Car Loan & Mortgage Insurance**

	2020/21	2019/20
	KSSh	KSSh
Car Loan & Mortgage Insurance premium	51,549	2,501,545
<b>Total</b>	<b>51,549</b>	<b>2,501,545</b>

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.

**Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

**8. Changes in Accounts Receivable**

Description	2020/2021	2019/2020
	KSh	
Account receivable as at 1 <sup>st</sup> July 2020 (A)		4,711,854
Account receivable issued during the year (B)	-	-
Account receivable settled during the Year (C)	-	4,711,854
Net changes in account receivables D= A+B-C	-	-

**9. Changes in Accounts Payable**

Description	2020/2021	2019/2020
	KSh	
Accounts Payable as at 1 <sup>st</sup> July 2020 (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	-	-

**10. 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.

**b) Related party transactions**

Description	2020/2021	2019/2020
	KSh	
Transfers from County Assembly of Baringo	-	-
<b>Total</b>	-	-

**c) Key management remuneration**

Description	2020/2021	2019/2020
	KSh	
Board of Trustees	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-



**Baringo County Assembly (Members) Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

The Baringo County Assembly (Members) Car Loan and Mortgage Fund does not pay any remuneration (with the exception of sitting allowances as indicated in Note 12) 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.

**11. Interest Income (actual cash received)**

	2020/2021	2019/2020
Interest income received from Car Loans (actual cash received)	1,465,552	1,479,219
<b>Total</b>	<b>1,465,552</b>	<b>1,479,219</b>

The interest income relates to the actual (cash) interest income earned and received on car loans and mortgages for the year ended 30<sup>th</sup> June 2021 and also the interest received in the current FY (2020/2021) but was earned on the loan repayment for the month of June 2020, i.e. the previous year, FY 2019/2020.

**12. Sitting allowances**

	2020/2021	2019/2020
Sitting allowances	29,500	-
<b>Total</b>	<b>29,500</b>	<b>-</b>

This refers to the sitting allowances expense made to the members of the Loans Management Committee in the FY 2020/2021.

**13. Car Loan Balances converted to Car Grant**

	2020/2021	2019/2020
Cash refund of amount of car loan repayments already recovered after conversion of the Car Loan Fund to Car Grant as per the advice of the SRC	63,874,466	-
Car Loan Balance written off from the books of accounts (amount unpaid by the members for the period April-June 2020 and February 2021-June 2022) as per the advice of the SRC	31,673,353	-
<b>Total</b>	<b>95,547,819</b>	<b>-</b>

This refers to the Car loan balances converted to Car Grant as per the advisory of the SRC Ref. No.: SRC/TS/COG/3/61/48 VOL. II (113) dated 9<sup>th</sup> February 2021 in the FY 2020/2021.

**Baringo County Assembly (Members) Car Loan and Mortgage Fund  
 Reports and Financial Statements  
 For the year ended June 30, 2021**

**14. Payment for supply of fuel**

Description		
Supply of fuel	1,280,000	-
<b>Total</b>	<b>1,280,000</b>	<b>-</b>

This refers to the payment for the supply of fuel for Assembly vehicles made from the Car Loan & Mortgage Fund account

**15. Refund of amount paid for supply of fuel**

Description		
Refund of amount paid for supply of fuel	1,280,000	-
<b>Total</b>	<b>1,280,000</b>	<b>-</b>

This refers to the refund to the Car Loan & Mortgage Fund account of the amount paid for supply of fuel for Assembly vehicles.



**Baringo County Assembly (Members) Car Loan and Mortgage Fund  
 Reports and Financial Statements  
 For the year ended June 30, 2021**

**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 Number	Issue/Observation	Management Comments	Focal Person	Time Frame	Status
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 2021 since the final audit report for the year ended 30 June 2020 had not been received.

